

Inquiry Report
HAJJ AIR FARES CASE

BACKGROUND

1. This Inquiry Report has been prepared under Section 37(1) of the Competition Ordinance, 2007 (hereinafter to be referred as the “**Ordinance**”) pursuant to a *suo moto* notice taken by the Competition Commission of Pakistan (hereinafter to be referred as the “**Commission**”) against Pakistan International Airlines Corporation (hereinafter referred to as the “**PIA**”). The subject of the enquiry pertains to an unreasonable increase in Hajj air fares¹ as compared to the Hajj fares in preceding years (2006 and 2007) and charging of exorbitantly high fare to the Hajjis under the Hajj Group Organizers Scheme who opted for a short duration Hajj², thereby *prima facie* attracting violation of Section 3 of the Ordinance. Furthermore, PIA and Saudi Arabian Airlines (hereinafter referred to as the “SA”) entered into an agreement/arrangement and fixed the airfares to be charged from the Hajjis *prima facie* in violation of the provisions of Section 4 of the Ordinance.

FACTS

2. PIA is the state owned airline corporation of Pakistan operating since 1955 and falls under the definition of “Undertaking” pursuant to Section 2(p) of the Ordinance.
3. SA is the state owned airline of Kingdom of Saudi Arabia having its offices in Pakistan and is also an undertaking pursuant to Section 2(p) of the Ordinance.³

¹ http://www.thenews.com.pk/daily_detail.asp?id=148976

² Regular Hajj is for a period of 40 days , however, Hajjis under short duration Hajj may opt for a shorter program of less than 40 days.

³ Section 1 (1) (3)- It (the Ordinance) shall apply to all undertakings and all actions or matters that take place in Pakistan and distort competition within Pakistan.

4. PIA increased its Hajj fares in the Hajj season of 2008 by more than 80% as compared to the preceding year and charged an unreasonably high fare of up to Rs.120,000/- from the Hajjis who opted for a short duration Hajj. A comparison of Hajj air fares charged by PIA⁴ over the last three years to the Hajjis under Regular Hajj Scheme is given below:

Year	2006	2007	%age Increase from 2006 to 2007	2008	%age Increase from 2007 to 2008
Hajj Fare (PKR)					
South	35,000	38,500	10.00 %	70,000	81.82%
North	42,000	46,200	10.00%	85,000	83.98%

5. The Commission, taking cognizance of the matter, called for information in this regard under section 36 of the Ordinance, from PIA and SA. In separate letters sent to PIA and SA on 27 November 2008, CCP asked for fare details for all PIA and SA Hajj flights for the last two years, explicitly stating the cost breakdown in the fare; detailed air fares for one-way and round-trip PIA/SA flights operating from Lahore, Karachi and Islamabad to different destinations in Saudi Arabia during the non Hajj season; economic justification for difference in air fares during the Hajj season and those in the non-Hajj season; airlines competing with PIA/SA on the Hajj/ Ummrah routes during the Hajj season and during the non-Hajj season; any additional services/facilities being offered to pilgrims traveling through PIA/SA for the purpose of Hajj; specifications of the aircrafts used for Hajj flights including aircraft make, model, year of manufacture, passenger capacity, take-off weight, fuel consumption.
6. The Commission also sought information from Ministry of Defence and Ministry of Religious Affairs under section 48 of the Ordinance. In a letter sent to Ministry

⁴ Letters dated December 5th, 2008 & February 25th, 2009 by PIA

of Defence on 28 November 2008, CCP asked the Ministry to provide CCP, under Section 48 of the Competition Ordinance, 2007, a copy of the agreement/directive or relevant documentation concerning airlines operating on Hajj routes during the Hajj season. In a letter sent to the Ministry of Religious Affairs on 14 January 2009, the Ministry was required to supply information pertaining to Hajj Policy/Plan and relevant documentation concerning airlines operating on Hajj routes and Hajj fares during the Hajj season.

7. On the basis of the information received from all the parties referred above and on the basis of independent inquiry, following facts are revealed:
8. In Pakistan, the policy and plan for Hajj was approved by the Cabinet in 2005 for five years and the Cabinet authorized the Ministry of Religious Affairs to make adjustments into it as necessary. The Prime Minister of Pakistan constituted a Committee to look into the Hajj matters including the Hajj Policy for Hajj 2008-2009.
9. In the Policy and Plan for Hajj 2008, it was decided that a total of 164,647 pilgrims from Pakistan would perform Hajj in 2008 as per the following:
 - a. 85,000 pilgrims would be covered under the Government Hajj Scheme,
 - b. 79,647 pilgrims would be covered under the Hajj Group Organisers Scheme.
10. Under the Hajj Policy and Plan 2008, the following dues were decided for the Government Hajj Scheme:

Particulars	Karachi/Quetta	Other Stations
Air Fare	70,000	85,000
Terminal Taxes Rs.500 + SR.50	1,425	1,425
Rent of accommodation at Makkah & Madinah SR.3200*+SR.400+SR.3600	66,600	66,600
Compulsory Hajj Dues SR.1188	21,978	21,978

Personal Exchange Quota approx. SR.1300	23,997	23,997
Service/Vaccination Charges	1,000	1,000
Total (in Rupees)	185,000	200,000

* Saudi Riyal 3200 is upper limit, however, Hajjis will be charged on actual rent basis

11. Pre-Hajj and Post-Hajj period for Hajj in 2008 is stated below:⁵

Pre-Hajj Period	Nov 01, 2008 to Dec 02, 2008
Post-Hajj Period	Dec 12, 2008 to Jan 11, 2009

12. A total of 9,077⁶ short duration (private scheme) Hajjis travelled in year 2008 and the following Hajj fares were charged:

Ex-Karachi	Ex-North
PKR 85,000/-	PKR 100,000/-
PKR 100,000/-	PKR 120,000/- (During last ten days of pre-Hajj period)

Government regulated Hajj fares are applicable on Hajj flights whereas ‘Short Duration’ Hajj fares are applied on special Extra Sections/Scheduled flights.

13. In its letter to the Commission dated 18 December 2008, Ministry of Defence enclosed copy of the Hajj Agreement 2008 concluded between PIA and SA. The agreement is appended below.

“Saudi Arabian Airlines / Pakistan International Airlines Hajj Agreement

This Agreement has been concluded between Saudi Arabian Airlines hereinafter called (SV) which is willing to forgo its right of equal share 50 % of the total revenue pilgrims to Pakistan International Airlines hereinafter called (PK) on the following terms and conditions:-

- I. SV hereby assigns to the PK its right for the movement of pilgrims from points in Pakistan to Jeddah and VV and points in Pakistan to Medina only during the current Hajj Season on the PK's fleet or chartered equipment. PK shall be responsible for the sales and scheduling of their required flights as well as any other arrangements for their movement in addition to the collection of the round trip fares.

⁵ http://www.piac.com.pk/PIA_About/pia-about_HajjnUmrah.asp

⁶ Information provided by PIA vide its letter dated 25th March 2009.

- II. In consideration of the assignment of SV's share to PK, said PK agreed to pay Hajj Royalty to SV as follows:
 - a. The Hajj Royalty amounting to USD 20.00 or (USD 40 ONLY ON SV SHARE I.E. 50% OF THE TOTAL HAJJ TRAFFIC) per adult, half of the said amount per child and ten percent per infant on all pilgrims originating from Pakistan only and no other destination will be permissible except with the prior approval of the appropriate Saudi Authorities otherwise severe penalty will be imposed.
 - a. In the event that SV carries Hajjis on schedule/extra section flights, such carriage shall be deducted from PK's total Hajj carriage on schedule and extra section flights during Hajj period.
 - b. 15% of the IATA over 45 kilos specified cargo rate for all kilos carried by PK from Pakistan to KSA USD 0.35 and from JED/MED to Pakistan amounting to USD 0.45 per kilo.
- III. Furthermore, any extra flight carrying normal passengers or pilgrims operated by any party, in excess of the number of scheduled flights during Hajj Season, which begins on 1 ZulQada of each year and ends on 10 Muharram of the next year, shall be considered as a Hajj flight and shall be subject to all provisions of this Agreement. Any extra section carrying traffic in the reverse of the normal Hajj traffic will be exempted from payment of Hajj Royalty.
- IV. Since the PK shall be responsible for the full payment of Hajj Royalty as agreed, and being a member of the IATA Clearing House, the invoice covering the amounts due, based on the aforementioned articles, shall be billed as soon as the last aircraft of the incoming Hajj season leaves Jeddah and settled through ICH.
- V. Rejection of any SV invoice must be made within one year of date of invoice. No rejection will be considered by SV, in whole or in part, after the lapse of this period and the invoice will be considered correct as issued.
- VI. The maximum number of free passengers for the Hajj season shall be one percent of the total number of incoming pilgrims. Failure to identify free passengers clearly on the passenger manifests will result in Hajj royalty payment to SV for these passengers.
- VII. No passengers shall be carried on the empty leg of Hajj flights.
- VIII. PK undertakes to pay to the concerned Saudi Authorities all expenses arising from the transportation either relating to the aircraft or to the pilgrims during their travel or handling or storing of their baggage. It is agreed that such expenses shall include not only the cost of maintenance of the aircraft but: also the cost of fuel, landing and parking fees in Saudi Arabia, handling fees, lodging and hotel accommodation of crew and all other fees and taxes due within Saudi Arabia, SV shall not be liable to pay any such expenses.
- IX. In view of the rigid instructions regarding return date of the pilgrims on their respective tickets, PK hereby agrees to insert the return date on the tickets and arrange for their return on the date fixed. PK shall be liable for the payment of heavy fines for any failure to adhere to return schedules.
- X. PK should abide by the rules and regulations laid down by the General Authority of Civil Aviation of Saudi Arabia.
- XI. PK shall submit a copy of the passenger and cargo manifest of every flight arriving from said point mentioned above as well of every flight leaving the Kingdom for said point, with a statement of the total number of adult, child or infant pilgrims who were brought and carried and the kilos of cargo which arrived and departed on each aircraft. These manifests shall be submitted to SV through PK'S general agents in Jeddah. Pilgrims shall not be flown from locations other than those locations mentioned hereinabove.

- XII. The permission of landing and full traffic rights will be granted by Saudi Civil Aviation to the aircraft owned or chartered by PK for the full operation of pilgrims movement during the current Hajj Season after the General Authority of Civil Aviation (GACA) receives a copy of the Agreement.
- XIII. PK is obliged to submit its schedule to the Saudi General Authority of Civil Aviation two months before start of its Hajj operation.
- XIV. Both parties agree that in case of any dispute arising out of this Agreement or its interpretation, the dispute shall be settled amicably through negotiation and/or arbitration, failing which the same shall be referred to the concerned authorities in Saudi Arabia for decision, which decision shall be binding on both parties.
- XV. This Agreement shall govern the rights of the parties for the entire current Hajj season regardless of the date of signing of this Agreement.”

14. In its reply to a letter by the Commission SA explicitly stated that the fares and other operational obligations are always determined and finalized by mutual harmonization and arranged meetings between the concerned management of PIA prior to commencement of the Hajj season every year.⁷

The Issues

- 15. Whether PIA has abused its dominant position in the relevant market by unreasonably increasing the Hajj Fares during the year 2008, as compared to the preceding years (as stated in paragraph (4) above) and whether this act of PIA constitutes a violation of Section 3(1) read with Section 3(3)(a) of the Ordinance.
- 16. Whether the act of PIA of charging exorbitantly high fare from Hajjis of short duration Hajj (the private Hajj under the Hajj Organisers Scheme as stated in paragraph (7)) amounts to price discrimination and whether it violates Section 3(1) read with Section 3(3)(b) of the Ordinance.
- 17. Whether the act of PIA and SA of collectively fixing the fare of Hajj Flights amounts to a violation of Section 4(1) read with Section 4(2)(a) of the Ordinance.

Submissions and Analysis:

⁷ [SA letter dated 20th January 2009](#)

18. **Relevant market** for the purpose of this inquiry report within the aviation sector and the services industry comprised flights during the Hajj Season from various points in Pakistan to Medina and from various points in Pakistan to Jeddah and vice versa operated by the domestic and foreign airlines. The Pre-Hajj and Post-Hajj period for Hajj in 2008 is stated below:⁸

Pre-Hajj Period	Nov 01, 2008 to Dec 02, 2008
Post-Hajj Period	Dec 12, 2008 to Jan 11, 2009

19. Following are the Airlines that operate on these routes either directly or indirectly during the Hajj season:⁹

- PIA
- SA
- Qatar Airways
- Gulf Air
- Emirates Airlines
- Etihad Airlines

20. From the above airlines only PIA and SA operate direct flights from points in Pakistan to Medina and Points in Pakistan to Jeddah and vice versa during the Hajj Season. The other foreign airlines operating on these routes only operate indirect flights connected through their hubs in their respective countries, which automatically increase the cost for these airlines. The Hajjis under the Government Hajj Scheme are required to travel via PIA (PIA arranges special chartered flights for Hajjis during Hajj Season- hereinafter referred to as “Hajj Flights”) or SA, whereas, the Hajjis under the Hajj Group Organizers Scheme may have a choice of any other airline. The other two Domestic Airlines in Pakistan i.e. Shaheen Air and Airblue do not operate on the Hajj Routes.

⁸ http://www.piac.com.pk/PIA_About/pia-about_HajjnUmrah.asp

⁹ Verbal information received by various travel agent

21. **Demand Side Substitutability:-** PIA is the only airline that operates special chartered Hajj Flights directly from point in Pakistan Jeddah and vice versa and points in Pakistan to Medina and vice versa. SA also operate direct flights on these routes during Hajj season but demand side substitutability for the customers is limited because SA only operates its scheduled regular flights and no Special Hajj Flights.
22. **Supply Side Substitutability:-** There is no supply side substitutability, as no airline except PIA is authorized to operate special chartered Hajj Flights during Hajj season. There is an entry barrier in the market in the form of an Agreement between aviation authorities of Pakistan and Saudi Arabia that prohibits other Pakistani airlines like Shaheen Air and Airblue to operate flights for Saudi Arabia.
23. In 2008 out of the total allotted quota of 164,647 Hajjis from Pakistan, approximately 132,153¹⁰ Hajjis (80%) travelled via PIA including 9,077 passengers under short duration (private scheme) Hajj via the routine scheduled flights of PIA.
24. In view of the foregoing, PIA *prima facie* has a dominant position in the relevant market in terms of Section 2(1)(e) of the Ordinance.

¹⁰ Information obtained from
http://www.app.com.pk/en_/index.php?option=com_content&task=view&id=57671

25. A comparison of Hajj air fares charged by PIA¹¹ over the last three years to the Hajjis under Regular Hajj Scheme is given below:

Year	2006	2007	%age Increase from 2006 to 2007	2008	%age Increase from 2007 to 2008
Hajj Fare (PKR)					
South	35,000	38,500	10.00 %	70,000	81.82%
North	42,000	46,200	10.00%	85,000	83.98%

26. It can be noticed from the above table that PIA increased Hajj fares by over 80% during the year 2008 as compared to the year 2007, whereas the increase in fare from year 2006 to 2007 was only 10%.

27. Following breakdown of cost per Hajji to PIA was provided by PIA .

Year	2006	2007	%age Increase from 06 to 07	2008	%age Increase from 07 to 08
Cost per Hajji (PKR)					
Fuel	18,930	26,803	41.59	45,023	67.98
Other Operational Costs (incl. lease)	19,497	24,019	23.19	26,332	9.63
Special arrangements	1,116	1,268	13.62	1,225	-3.39
Royalty	1,219	1,244	2.05	1,400	12.54
Total Direct Cost	40,762	53,334	30.84	73,980	38.71
Indirect Cost	5,313	5,933	11.67	10,514	77.21
Total Cost	46,075	59,267	28.63	84,494	42.57

28. Explanation of cost terms:-

Fuel cost: The cost of JP 1 aircraft fuel procured to operate Hajj flights.

¹¹ Letters dated 5 December 2008 and 25 February 2009 received from PIA

Other Operation: It includes the cost on

Aeronautical/Handling/Maintenance/Meals/Layover/Depreciation/Interest/
Lease rental etc.

Special arrangements: It includes Cans of Ab-e-Zamzam, Abaya, staff sent
to Jeddah for Hajj duty etc.

Royalty: Paid to Saudi Airline.

Indirect Cost: Traffic, Engineering and Scheduling expenses.

29. The major increase in cost per Hajji from 2007 to 2008 is a reflection of the increase in fuel cost (as a component of the direct cost) and an increase in indirect cost (which includes traffic, engineering and scheduling expenses). Fuel cost per Hajji increased by 18,220 PKR from 2007 to 2008 (an increase of 67 percent) while indirect cost per Hajj increased by 4,581 PKR from 2007 to 2008 (an increase of 77 percent).

Date	2 Nov 07	2 Dec 07	1 Jan 08	1 May 08	1 Jun 08	1 Jul 08	1 Aug 08	1 Sept 08	1 Oct 08	1 Nov 08	1 Dec 08	1 Jan 09	1 Feb 09
For Domestic Airlines	44.13	50.89	48.85	67.33	84.90	82.10	86.11	75.32	69.01	50.90	42.54	35.89	35.62
For Foreign Airlines: commercial flights	38.37	44.25	42.48	58.55	73.83	70.78	74.23	64.95	59.49	43.88	36.67	30.94	30.71
For Foreign Airlines: cargo & technical flights	38.37	44.25	42.48	58.55	73.83	70.78	74.23	64.95	59.49	43.88	36.67	30.94	30.71

30. Fuel prices were the highest between June-August 2008 as demonstrated by the above-stated sale prices of oil (in rupee per litre) quoted from Oil and Gas Regulatory Authority (OGRA) website.¹²

¹² http://www.ogra.org.pk/cats_disp.php?cat=83

31. Though there was a marked decrease in fuel prices from July 2008 to Nov-Dec 2008, the Hajj air fares agreed by the government in July 2008 under the Policy and Plan for Hajj 2008 were not revised either by the government or by PIA.

32. It is also worth noting that fuel prices during Hajj season 2007 were similar to fuel prices during Hajj season 2008, as evident from OGRA's information stated below:¹³

	2 Nov 2007	2 Dec 2007	1 Jan 2008	...	1 Nov 2008	1 Dec 2008	1 Jan 2009
For Domestic Airlines	44.13	50.89	48.85	...	50.90	42.54	35.89
For Foreign Airlines: commercial flights	38.37	44.25	42.48	...	43.88	36.67	30.94
For Foreign Airlines: cargo & technical flights	38.37	44.25	42.48	...	43.88	36.67	30.94

33. PIA submitted that they have a Fuel Hedging Policy under which the airline purchased fuel well before the start of the Hajj season and charged the air fare from Hajjis as per the rates prevalent at the time of announcement of Hajj Policy. As a result, the decrease in fuel rates during the Hajj season did not affect the air fare charges paid by the Hajjis.¹⁴ However, there appears to be no justification for charging the high fuel prices of June-August 2008 to passengers travelling in November 2008 when prices were considerably lower and in their returning flights in late December 2008 and start of January 2009.

34. Furthermore, reasonable nexus, such as the increase of 77% in indirect expenses of traffic, scheduling and administration, remains unexplained.

¹³ http://www.ogra.org.pk/cats_disp.php?cat=83

¹⁴ Information received from PIA official on the phone.

35. PIA air fares for normal flights to different destinations of Saudi Arabia as provided by PIA in their reply are:-

SECTOR	FARE INCLUDING TAXES (PKR)
KHI-JED/DMM/RUH ONE WAY	28,180/-
KHI-DMM/RUH ROUNDRIP	41,500/-
LHE,ISB,PEW -JED/DMM/RUH (ONE WAY)	29,080/-
LHE,ISB,PEW -JED/DMM/RUH (ROUND TRIP)	46,250/-

36. Reasons for difference in air fare charges between Hajj Season and non-Hajj

season: As per the requirement of the Ministry of Religious Affairs, PIA operates Hajj Charter flights to Saudi Arabia, and due to restrictions of the Saudi Civil Aviation, PIA cannot carry passengers from Saudi Arabia to Pakistan; consequently Hajj flights are operated from KSA to Pakistan without load in the Pre-Hajj Operation. In the Post-Hajj Period, PIA similarly operates its Hajj flights with no load to Saudi Arabia to carry returning Pakistani Hajjis. This process involves four legs of operation in which two legs are empty, resulting in higher operational cost.

37. Competition with PIA on Hajj/Umrah routes during Hajj season and during

non-Hajj season: As per the bilateral agreement between Saudi Arabia and Pakistan, PIA and Saudi Airlines can carry the Hajj Pilgrims from/to Pakistan during the Hajj season. However, during Umrah season/non-Hajj season, besides PIA and SV, other airlines also carry the Umrah and other passengers indirectly from Pakistan to Saudi Arabia.

38. Additional services/facilities offered by PIA to Hajj pilgrims:

PIA provides ahrams/abayas and Hajj Guide Books to the Hajjis free of cost. However, this cost is not a major component of the total fare.

39. Aircraft used by PIA for Hajj flights operation

Aircraft Model	Year of Manufacture	Passenger Capacity	Take off Weight (kgs)	Fuel Consumption (kgs/hours)
B-747-300	1985	466	362,873	11,500
B-777-200 ER	2004	329	273,969	6,500

40. In view of the above, the explanation provided by PIA for increasing the Hajj fare by more than 80% as compared to the preceding year does not seem to be cogent and *prima facie* appears to be in violation of Section 3(1) read with Section 3(3) (a) of the Ordinance.

41. Under the Hajj Group Organisers Scheme, PIA charged a Hajj air fare of up to 120,000 PKR to the Hajjis who opted for a short duration Hajj. These Hajjis were not taken via the Hajj Flights, but they were taken via routine commercial flights of PIA to Jeddah. On inquiring, PIA submitted that Government regulated Hajj fares are applicable on Hajj flights whereas Short Duration Hajj fares are applied on special Extra Sections/Scheduled flights. The demand for seats for short duration hajj increases in the last ten days of Pre-Hajj period and for that period PIA deploys the required capacity to Jeddah by slashing many flights from its high yield hard currency routes to ensure that our clientele is not deprived of the opportunity to perform the holy pilgrimage. A copy of Hajj Tariff bulletin which includes government regulated fares and short duration Hajj fares is forwarded to Ministry of Religious Affairs for their information and action as deemed necessary.¹⁵

42. PIA further submitted that the fare structure for short duration Hajjis, varies from flight to flight, therefore, break up of the same cannot be provided.

¹⁵ PIA letter dated March 25th, 2009.

43. In view of the above, *prima facie*, there is no objective justification for PIA for charging exorbitantly high air fare to Hajjis for short duration Hajj and taking them via routine commercial flights of PIA and therefore, appears to be in violation of Section 3(1) read with Section 3(3)(b) of the Ordinance.
44. According to a news report¹⁶, Pakistan's Ministry of Religious Affairs received hundreds of letters from politicians, religious leaders, and others demanding that expenses for the Hajj pilgrimage be reduced and brought on par with India. According to an official, in India, a pilgrim paid \$1,400 to go for the pilgrimage to Saudi Arabia but in Pakistan the cost was at least \$2,500. The official said that a group of religious leaders recently gave a presentation to Religious Affairs Advisor Allama Hamid Saeed Kazmi comparing costs in India and Pakistan. India, he said, subsidized the pilgrimage but there was no subsidy in Pakistan.”
45. A news report about India states that “*About 18,000 devotees would fly for Jeddah from Delhi. Indian Hajj pilgrims will fly to Jeddah from 17 cities including Delhi. Of the 168,000 Hajj pilgrims, 123,211 would fly through the Hajj committee, while the rest would bank on the services of private tour operators. Air India will fly 63,511 pilgrims, while Saudi Arabian Airlines will carry 59,700. Air India would ferry the pilgrims on 400 flights*”.¹⁷
46. An Indian pilgrim travelling through the Hajj Committee of India in 2008 spent around Rs.12,000 for his subsidized trip while the airfare itself was Rs.40,000.¹⁸
47. Both PIA and SA charged the similar fares from the Hajjis on the basis of mutual agreement and arrangement, as explicitly stated by SA in their letter¹⁹ to the Commission. The extract of the letter is reproduced below:-

¹⁶ http://www.thaindian.com/newsportal/uncategorized/pakistan-under-pressure-to-bring-down-haj-expenses_100111963.html

¹⁷ http://www.thaindian.com/newsportal/uncategorized/delhis-first-haj-flight-takes-off-for-jeddah_100113170.html

¹⁸ http://www.thaindian.com/newsportal/uncategorized/haj-pilgrimage-to-cost-more_10059184.html

¹⁹ Letter dated January 20th, 2009 by SA.

“However the fares and other operation obligations are always determined and finalized by mutual harmonization and arranged meetings between the concerned management of PIAC prior to the commencement of each hajj season every year.”

48. The act of PIA and SA of mutually fixing the price for the provision of Hajj Services has the effect of preventing , restricting or reducing competition within the relevant market and *prima facie* violates the provisions of Section 4(1) read with Section 4(2)(a) of the Ordinance which in its relevant part states as under:-

4. Prohibited agreements.- (1) No undertaking or association of undertaking shall enter into any agreement, or in case of association of undertaking, shall make a decision in respect of the production, supply, distribution, acquisition or control of good or the provision of services which have the object or effect of preventing, restricting or reducing competition within the relevant market unless exempted under section 5 of the Ordinance.

(2) Such agreements include, but are not limited to ----

(b) Fixing the purchase or selling price or imposing any other restrictive trading conditions with regard to the sale or distribution of any goods or the provision o any service;

CONCLUSION

49. PIA *prima facie* is in a dominant position in the relevant market in terms of Section 2(1)(e) of the Ordinance.

50. The explanation provided by PIA for unreasonably increasing the Hajj fare by more than 80% as compared to the preceding year is violation of Section 3(1) read with Section 3(3) (a) of the Ordinance.

51. There is no objective justification on part of PIA for price discrimination by charging exorbitantly high air fares to Hajjis for short duration Hajj while taking them via routine commercial flights of PIA. This appears to be a *prima facie* violation of Section 3(1) read with Section 3(3)(b) of the Ordinance.
52. The act of PIA and SA of mutually agreeing on the price of provision of Hajj flight/travelling services has the effect of preventing, restricting or reducing competition within the relevant market and *prima facie* violates the provisions of Section 4(1) read with Section 4(2)(a) of the Ordinance.

RECOMMENDATIONS

53. In view of the foregoing, the behaviour of PIA appears to adversely affect competition in the relevant market. The anticompetitive activities of PIA have an impact on the general public and are raising concerns among the consumers. It is therefore in the public interest to initiate proceedings in the matter under Section 30 of the Ordinance.
54. It is recommended that a show cause notice may be issued to PIA for *prima facie* abusing its dominant position in violation of Section 3(3)(a) & Section 3(3)(b) and for violation of Section 4 (2)(a) of the Ordinance.
55. Furthermore, prima-facie violation of Section 4 (2)(a) of the Ordinance is also made out on part of SA and the Commission may proceed in this regard in accordance with the law.

(SHAISTA BANO)

Inquiry Officer

Dated : 30th April 2009