COMPETITION COMMISSION OF PAKISTAN

# Pakistan Steel Mill

## Shortage/Problems in the Provision of Steel Billets

**Ahmed Qadir**

**10 April 2009**

The Monopolies and Trade Abuses Department of the Commission looked into the matter of problems in the provision of steel billets by the Pakistan Steel Mill to many steel re-rolling undertakings to ascertain if this was a violation of the Competition Ordinance, 2007.

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# Inquiry Report

SHORTAGE/PROBLEMS IN THE PROVISION OF STEEL BILLETS BY PAKISTAN STEEL MILL TO CONCERNED UNDERTAKINGS

## A. BACKGROUND

1. Pakistan Steel Mill (hereinafter "**PSM**") is located 40km south east of Karachi in close vicinity to port Muhammed Bin Qasim. According to their website, the Mill specialises "in the production of flat steel products including, billets, slabs, hot rolled coils, cold rolled coils, galvanised sheets/coils/formed sections and corrugated sheets."[1] The Mill has a production capacity of 1.1 million ton of steel that can be expanded up to 3.0 million ton per annum. PSM is the only blast furnace in the country.[2]

2. The Competition Commission of Pakistan (hereinafter '**Commission**') took *suo moto* notice of shortage/problems in the provision of steel billets by PSM based on articles in the media on 12-14 February 2009.

3. The issue was also submitted to the Commission in the form of a complaint by FRONTIER FOUNDRY (PVT) LTD (hereinafter "**FFPL**") on 18 February 2009.

4. The commission appointed Mr. Ahmed Qadir to investigate this matter on **20 FEBRUARY 2009.**

## B. DOCUMENTS ON RECORD

For the purpose of this inquiry report, the Commission has relied on the following documentation:

### LETTERS

- FFPL letter to Chairman PSM dated 4 June 2008;
- FFPL letter to Secretary Ministry of Industries and Production (MOIP) dated 9 June 2008;
- FFPL letter to Chairman PSM dated 23 January 2009;
- FFPL letter to Joint Secretary Corporate Sector, MOIP, dated 9 February 2009;
- FFPL letter to the Prime Minister dated 10 February 2009;
- FFPL letter to Secretary (MOIP) dated 24 February 2009, copied to Chairman PSM;
- Letter of Chairman, Pakistan Re-Rolling Mills' Association to the Commission, dated 9 March 2009;
- PSM's letter to Transparency International Pakistan, dated 31 March 2009;

### ARTICLES IN THE MEDIA

- "55 steel re-rolling mills suspend production," The News, 24 January 2009;
- "High up to look over Pakistan Steel losses today," The News, 12 February 2009;
- "Top level meeting fails to decide PSM products price issue," The News, 13 February 2009;

[1] Pakistan Steel Mill website: http://www.paksteel.com.pk/organ_about_us.html

[2] A detailed description of blast furnace steel mills can be found at http://www.steel.org/AM/Template.cfm?Section=Articles3&TEMPLATE=/CM/ContentDisplay.cfm&CONTENTID=25317

- "PSM scandal gets complicated as Presidency denies link," The News 13 February 2009;
- "Ministry studying sale of PS products via open auction," Business Recorder, 13 February 2009;
- "Fresh evidence of massive billets scam in PSM," The News, 14 February 2009;
- "Re-rolling mills flay monopoly of Abbas Group," Business Recorder, 18 February 2009;

### MISCELLANEOUS

- Minutes of a meeting held on 6 February 2009 by the Pakistan Steel Re-Rolling Mills' Association;
- Allocation data of various products – also known as Notice of Readiness (hereinafter "**NOR**") – for the period January-November 2008 and February-April 2009 as available on the PSM website (**http://paksteel.com.pk/pks/unwt.html**).

## C. FACTS NOTED IN THE MEDIA

**5.** According to a story published in the media,[3] the Pakistan Steel Re-rolling Mills Association (the "**Association**") wrote to the Chairman PSM on 14 June 2008 on the matter of "gross mal-distribution of billets that were responsible for causing widespread resentment." Some points highlighted in the complaint were:

**a)** No justified criteria are being observed in distribution policy of PSM;

**b)** Some mills are favoured on large scale, while others are starving for raw material;

**c)** Mills which are closed are being showered with daily allocation while other deserving units are ignored daily. Such discriminatory policies are deplorable.

**6.** Two letters of the Ministry of Industries and Production (30 June and 5 August, 2008) to the PSM soliciting their comments and clarification on the criteria for distribution of various production of PSM were ignored.

**7.** The Ministry called a meeting of all stakeholders on 3 December 2008, in which this issue was discussed. The Meeting was presided over by Mian Manzoor Ahmed Watoo and the participants, *inter alia*, were the State Minister for Industries and Production, Dr. Ayatullah Durrani, Secretary MOIP, Mr. Shahab Khawaja, several senior officials of the Ministry, Members Sales Tax and Income Tax of the Federal Board of Revenue (FBR), CEO and other officials of the Engineering Development Board (EDB), Director Finance of PSM, Chairman and office bearers of the Association, and Chairman, Pakistan Ship Breakers Association.

**8.** According to the minutes of the Meeting (circulated by the Ministry on 13 January 2009) the "scandal" was discussed in detail and it was noted that:

**a)** "drastic reduction in prices of billets (from Rs 63,000 per ton to Rs 41,000) cleared the inventory of PSM in a week to 10 days but the major share of the billets was sold to a few parties."

**b)** "eight specific decision were taken including that the price of all products be reconsidered by PSM fortnightly in accordance with the prices of international market and be intimated to the Ministry; the prices of billets be



[3] "Fresh evidence of massive billets scam in PSM," The News, 14 February 2009

considered by PSM for revision in a transparent and realistic manner, and PSM shall present the mechanism of prices."

**9.** On 16 January 2009 the Ministry asked PSM to furnish details demanded in the Meeting held on 3 December 2008. The issue was taken up by the Ministry on 12 February 2009 and decision on prices was delayed till 16 February 2009.

**10.** A story in the media alleges that all the remaining stock of billets was disposed off quickly at the old, below the cost, price to "favourites." [4] On 9-10 February 2009, some 20 traders were sold 4, 500 tons of billets by PSM at a loss of Rs 34,000 per ton. However, these traders sold the billets to users at a premium of between Rs 7,000 and Rs 8, 000 per ton. Loss to PSM is estimated to be Rs 153M whereas profit as commission earned by the middlemen is estimated to be Rs 35M.

**11.** In the previous four months (October 2008-January 2009), the total quantity of billets sold at below cost price is alleged to be 60,000 tons resulting in an estimated loss of Rs 2 billion to PSM.

**12.** There has been a protest by local consumers of steel billets who, despite having offered to buy the product at Rs 5,000 more than the price at which they were being sold to certain buyers, were still not given the raw material. As per another news item, the former Chairman of the Association has been quoted as saying that "only 6 to 8 rolling steel mills out of 63 are operating in Karachi these days while others have temporarily stopped work owing to shortage of raw material."[5]

**13.** Transparency International Pakistan (TIP) has also expressed concern on the fact that PSM is "not selling its products in a transparent way and is unnecessarily delaying rise in the prices of billets for reasons best known to it."[6] According to the news item, TIP "has also accused the PS of not fulfilling the transparent procedure for the sale of MS billets. Some PS officials are favouring a company by supplying and allocating extraordinary quantity of billets. As a result, other dealers and re-rolling mills are deprived of getting billets." This, apparently, is a violation of Memorandum of Understanding (MOU) signed between PSM and TI-Pakistan in 2004,[7] and much correspondence can be noted on the TI-Pakistan website.[8]

## D. FACTS PRESENTED BY THE COMPLAINANT

**14.** In a letter addressed to the Prime Minister dated 10 February 2009, (copy provided to the Commission), the complainant has raised the following facts:

**a)** PSM is the only blast furnace in Pakistan. No other source in Pakistan is capable of producing the quality billets that PSM manufactures;

**b)** The appointment of a new Chairman of PSM in May 2008 has resulted in undue favouritism towards one particular group – Abbas Group;

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[4] "High ups to look over Pakistan Steel losses today," The News, 12 February 2009.
[5] "55 steel re-rolling mills suspend production," The News, 24 January 2009.
[6] "TIP accuses PS of non-transparency in sales," Business Recorder, 18 March 2009; http://businessrecorder.com.pk/index.php?id=7406&currPageNo=1&query=&search=&term=&supDate=
[7] http://www.transparency.org.pk/documents/PSM-MOU.pdf
[8] http://www.transparency.org.pk/pm/psm.htm

c) Price of billets were reduced on 26 November 2008[9] and billets of grades SAE 1008 and SAE 1010 were exclusively being allocated to the Abbas Group.

d) Taking advantage of the complete allocation of billets to it, Abbas Group has become the sole provider of wire rods[10] in the country and, as a consequence of this monopoly, is charging exorbitant rates for them.

e) Wire rod and steel bar manufacturers have been given the impression that the government would levy regulatory duty on imported raw material. This has resulted in a Catch-22 situation: wanting to take advantage of the low prices of PSM after 26 November 2008 and not getting the required billets on one hand and not being able to import for the implied threat of paying duty on imported raw material. The matter of regulatory duty was also mentioned in the News, which quoted PSM's Director Marketing as saying that "Though we have written to the government in this regard yet so far no duty has been imposed on these products…"[11]

f) Information pertaining to the sale of billets and other material was noticeable during 2008 as PSM was making all relevant allocation information (NORs) available on its website. However, PSM stopped putting this information on its website in December 2008.

**15.** The complainant also submitted allocation data for the period between 6 September 2007 and 4 December 2008. PSM began updating NOR data from 9 February 2009 onwards and NORs for several days in February and March 2009 was also provided. NOR information for last week of March and early April 2009 was monitored by the Inquiry Officer.

## E. THE ISSUES

**16.** Whether the conduct of PSM has contravened any provisions of the Competition Ordinance, 2007 (the "**Ordinance**") in particular Section 3(3)(g) and (h) which, in relevant part, is reproduced below.

> 3(2) An abuse of dominant position shall be deemed to have been brought about, maintained or continued if it consists of **practices** which prevent, restrict, reduce or distort competition in the relevant market.
> (3) The expression "**practices**" referred to in sub-section (2) shall include but are not limited to…
> (g) Boycotting or excluding any other undertaking from the production, distribution or sale of any goods or the provision of any service.
> (h) refusing to deal

## F. RELEVANT MARKET

**17.** Before assessing whether section 3 of the Ordinance has been violated, it is essential to determine the relevant market and the dominant position of PSM therein.

### RELEVANT PRODUCT MARKET

**18.** The product being considered in this case is a specific type of steel product known as low carbon steel billets that come in varying length, width, and breadth.

[9] Various items substantiating this price reduction appeared in local media on 27 November 2008.
[10] Ranging from sizes of 5.5mm to 16mm, with weight per coil between 80KG and 145Kg, wire rods are used for manufacturing of welding electrodes, fastners, nails, and drawing wire etc.
[11] "Multi-million rupee Pakistan Steel scam to be discussed today," The News, 12 February 2009

These billets are generally produced in blast furnaces that have the ability to produce low carbon steel from iron ore and air. This product has a carbon content of 0.1 percent or lower, which gives the steel malleability and ductility enabling it to be shaped into wire rods which are then used to make end products such as screws, nails, buckles, fan covers and welding rods. The international classification for this item is SAE 1008 and SAE 1010.[12]

**19.** Other comparable products are high carbon steel billets with a content of more than 0.1 percent carbon. This high carbon steel is brittle compared to low carbon steel meaning that any product produced from it would be of extremely inferior quality and easily breakable. This would make it unfeasible for producing nails, screws and buckles *etc*., which depend on the tensile strength and finished look of the steel.

**20.** It would thus appear that this product is not substitutable unless the quality of downstream products can be downgraded. Any variation in the metallic composition or carbon content of the billet makes it unusable for the downstream sectors.

**21.** The relevant product market, thus, would be the market for production of low carbon steel billets.

## RELEVANT GEOGRAPHIC MARKET

**22.** In Pakistan, low carbon steel billets are produced by PSM. They are also imported during times when international prices are less or equal to domestic steel prices. Billets are distributed in Karachi and across the country to re-rollers in Lahore and Peshawar. Units producing end-products from wire rods are located in Karachi, Lahore, Gujranwala, Gujrat, and Hattar. The variation in price in different parts of the country can be attributed to transportation costs. The relevant geographical market is hence the entire of Pakistan.

**23.** Based on the foregoing analysis, the relevant market is the production and supply of low carbon billets in Pakistan.

## DOMINANT POSITION OF PSM

**24.** PSM holds a dominant position in the domestic market as it is the only integrated plant in Pakistan and with blast furnace technology.[13] Furthermore, the

[12] The American Iron and Steel Institute (AISI) together with Society of Automotive Engineers (SAE) have established a four-digit (with additional letter prefixes) designation system for steel billets:
**SAE 1XXX**
**First digit** 1 indicates carbon steel (2-9 are used for alloy steels);
**Second digit** indicates modification of the steel.
0 - Plain carbon, non-modified
1 - Resulfurized
2 - Resulfurized and rephosphorized
5 - Non-resulfurized, Mn over 1.0%
**Last two digits** indicate carbon concentration in 0.01%. Thus, SAE 1030 means non modified carbon steel, containing 0.30% of carbon. Source: http://www.substech.com/dokuwiki/doku.php?id=carbon_steels#low_carbon_steels_c_0.25

[13] Location and ancillary services also help PSM maintain a dominant position. Port Bin Qasim Authority maintains an exclusive jetty for handling the PSM's raw materials. The jetty is equipped with two un-loaders of 1,200 tonnes/hr (iron ore) and 700 tonnes/hr (coal) capacity. Raw materials are transported to the plant via two 4.3km long conveyer belts. The plant's water requirements are met via water from the K.G. Canal/Haliji Lake, under a license from the Karachi Water and Sewerage Board. Water from K.G. Canal/Haliji Lake is brought to a 110 million gallon reservoir (which covers an area of 236 acres) situated close to the plant. In addition to being connected to the Karachi Electric Supply Corporation's grid, PSM also maintains its own internal captive power generation units through three 55

fragmented nature of the steel industry in Pakistan ensures PSM's dominance as the other operators are not only much smaller in size, do not benefit from economies of scale, and also lack the financial flexibility to undertake large scale capacity expansion projects or sign long-term supply agreements for key raw material from abroad. PSM has a diversified customer base, with the top 10 customers (with respect to quantity sold) accounting for approximately 23% of total sales in 2004-05.[14]

## G. ANALYSIS

**25.** We look at the complaint in terms of section 3(3)(g) and (h) of the Ordinance, if the alleged actions taken by PSM have excluded any undertaking from the production, distribution, or sale of any good and if this action by the PSM can be considered as refusal to deal (see para 16).

**26.** We will address clause (h) first as refusing to deal can lead to conditions mentioned in clause (g). A refusal to deal can be defined as a "type of boycott in which firms conspire to isolate and eventually eliminate a current or potential competitor by refusing to buy from or sell to it."[15]

**27.** To classify as a refusal to deal situation, the following elements, *inter alia*, are generally looked into:

**a)** Would-be customers can show that the business has been substantially affected, or that they are unable to carry on business as a result of not being able to obtain adequate supplies of a product on usual trade terms.

**b)** The inability to obtain adequate supplies must result from a lack of competition among suppliers.

**c)** The would-be customer must be willing and able to meet the supplier's usual trade terms.

**d)** The product must be in ample supply.

**e)** The refusal to supply has an adverse effect on competition in the market, or is likely to do so.

### SUBSTANTIAL AFFECT ON BUSINESS

**28.** A business would be substantially affected if the product refused accounted for a large portion of its sales and was essential to its continued profitability or survival. The overall effect of the refusal also depends on whether the product could be easily replaced by another product or related line of business, or whether the product must be used or sold in conjunction with others.

**29.** Billets – the key item – cannot be substituted by any other product (see paras 18-21) and it is precisely the lack of billets that has had an impact on the business activities of various companies.

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MW each Hydrogen-cooled turbo generators, and three turbo air compressors. Another key support unit is the Oxygen Plant, which is responsible for indigenous supply of all oxygen requirements of the plant.

[14] Information taken from document of 27 September 2005 titled "Sale of Strategic Interest in Pakistan Steel Mill (Pvt) Limited: Summary Information," by Citigroup, available at http://www.privatisation.gov.pk/industry/PDF%20File/PSMC%20Summary%20Info%20-%2027-09-05.pdf

[15] http://www.businessdictionary.com/definition/concerted-refusal-to-deal.html

**30.** In determining whether business was substantially affected, two letters of FFPL, one written to the Chairman PSM on 4 June 2008 and the other written to the Secretary MOIP on 9 June 2008, are relevant:

**a)** The letter to the Chairman PSM highlighted the fact that FFPL relied solely on the PSM for its requirement of billets and despite having the requisite capacity, PSM never met more than 10% of the billet demand. This forced the undertaking to purchase billet from the "open/gray" market at a much higher cost.

**b)** In its letter to the Secretary MOIP on 9 June 2008, FFPL mentioned that it was tasked to provide steel bars for a "project of strategic importance." Yet, despite having the capacity, the order took four months to process simply due to the non-availability of material from PSM. As FFPL had received another order from the same organisation, this time they had requested the organisation to communicate the importance of timely supply of raw material to the PSM.

**31.** The Chairman, Pakistan Re-Rolling Mills' Association, in a letter written to the Commission on 9 March 2009, states that "Many Delivery Orders of our members are outstanding even though it has been over 3 months since payment to PSM has been made." The letter also states that "Billet deliveries are not being given date wise and serial wise or in sequence and out of turn deliveries are taking place regularly."

**32.** Another substantial affect on business can be noted from the fact that only 6 to 8 out of 63 rolling steel mills are operating in Karachi given the shortage in raw material (para 12).

**33.** The complainant, FFPL, claims that almost 80% of re-rolling mills in Pakistan have been shut down and that workers in the steel industry have been rendered jobless as a consequence.

## LACK OF COMPETITION AMONG SUPPLIERS

**34.** Lack of competition can be noted in that steel melters, re-rollers, and the demolition industry depend on raw materials from PSM. In essence, PSM seems to be the preferred domestic supplier of raw materials for many undertakings involved in the steel and related industry.

**35.** Evidence of PSM's importance as a supplier can also be noted in the fact that purchasers of billets have offered Rs 5,000 above the going price to PSM in order to get much needed raw material (see para 12).

**36.** We also note a letter of the complainant to the Secretary MOIP dated 24 February 2009 and copied to Chairman, PSM, which indicated their willingness to purchase billets at a premium of Rs 100,000 on the existing PSM rates per truck. A follow-up with the complainant on 6 April 2009 revealed that, despite the offer of this premium, no billets were provided by PSM.

## SUPPLIER'S TERMS OF TRADE

**37.** PSM detailed terms of trade – the terms of the contract between itself and buyers of its products – are available on its website.[16] For example, in the matter of security deposit, "Prior to signing a contract, customers will deposit a security amount for the entire quantity of the contract, as mentioned below, through a Pay



[16] http://paksteel.com.pk/business_selling_info.html

Order/Bank Draft. This security amount will be refunded/adjusted against their next contract upon completion of the Contract." However, in most of the media coverage as well as information provided by the complainant, terms of trade have not been mentioned as a problem. We can, therefore, assume that buyers generally adhere to these terms when dealing with PSM.

**38.** However, the Chairman, Re-Rolling Mills Association states that, despite full payment being made in advance, deliveries are erratic (see para 31). It thus appears that buyers make full payment in advance to PSM for the purchase of necessary material.

## ADEQUATE SUPPLY OF THE PRODUCT

**39.** If there is a shortage of the product resulting from, for example, a strike of workers at PSM, raw material shortages, limited production capacity or inventories, this condition would not be met. However, there have been no submissions or indications of any such events or material shortages. On the other hand, concern was raised in the media that until the time a new pricing strategy was implemented – based on the recommendation of the Chairman Re-Rolling Mills Association – the inventory of PSM would be disposed off at the low prices (see paras 10-11). Hence, adequate supply of the product in question, billets, has not been an issue at this point.

**40.** Proof of adequacy of material to be sold by PSM can be noted in their letter originally written to TIP on 31 March 2009.[17] Paras 6 and 7 talk about "huge inventory stocks" to the amount of Rs. 7.0 billion. Para 9 says that PSM was holding "60% inventory stocks of finished goods." Finally, para 10 says that "during August-November 2008, NOR's to the tune of 300,000 MT could not be materialized owing to not buying by the dealers/consumers." It seems, *prima facie*, that adequate inventory of products was available from the PSM.

**41.** However, in the same letter, the matter of not placing NOR data from December 2008 onwards was addressed (see para 14(f)). According to PSM, "huge stocks of imported secondary quality steel product was available in local market. The unscrupulous lobby of importers were all out for the hunt for a genuine buyer they started tracking our consumers/dealers, to whom we had issued NOR's, through our website offering them cheap imported raw material at a lower price viz-a-viz Pakistan Steel products. Therefore, it was decided to put off NOR display on the web for the period till our sales picked up. Now NOR's are being displayed at web of PSM."

## ADVERSE AFFECT ON COMPETITION

**42.** An allegation highlighted in the media as well as by the Complainant is that all billets produced by PSM are being allocated to an undertaking known as the Abbas Group, comprising of (i) Abbas Engineering Industries Ltd; (ii) Abbas Steel Industries (Pvt) Ltd; (iii) Al-Abbas Steel (Pvt) Ltd. A fourth entity by the name of Abbas Steel Group has also been noted on PSM's NOR list. This has, *prima facie*, given them a monopoly position and allows them to charge exorbitant rates for the sale of billets or products manufactured from billets.

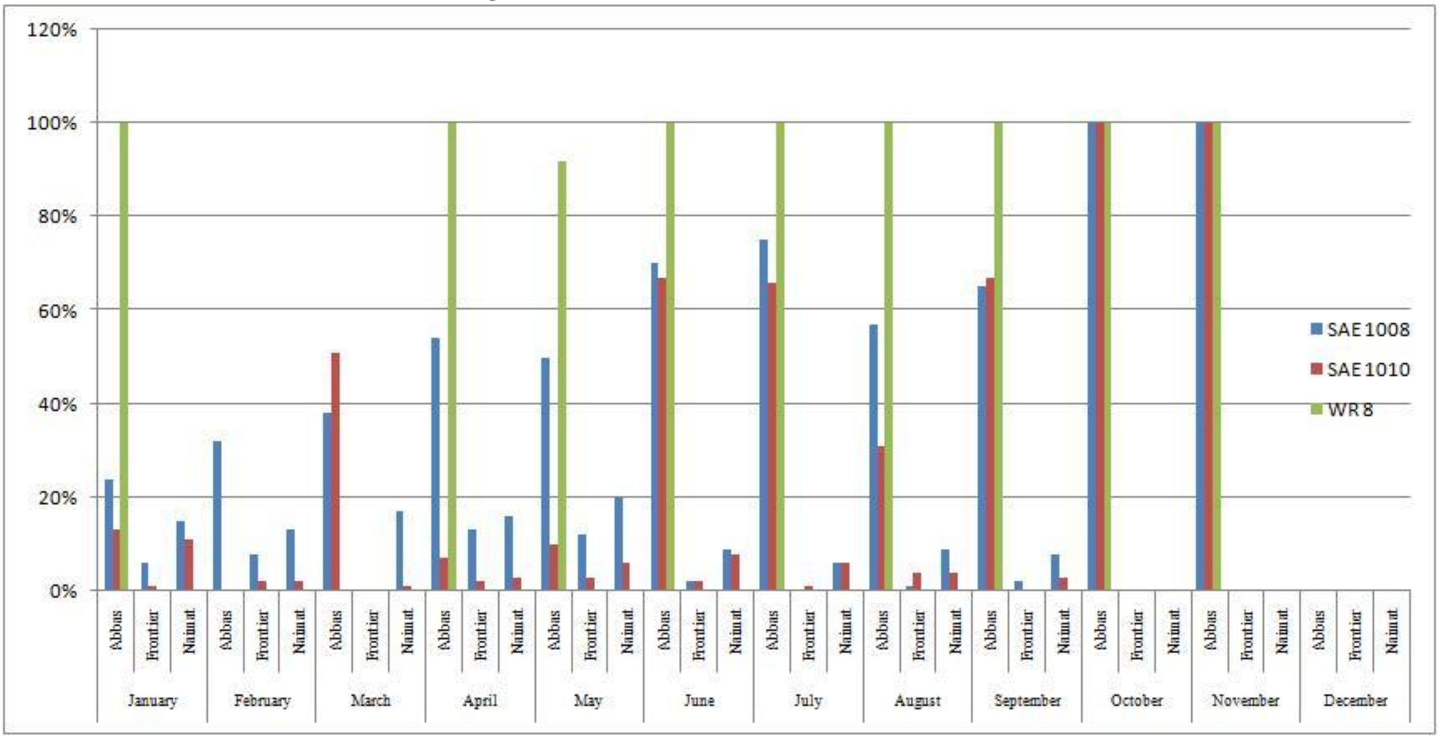
**43.** While Abbas Steel has a website, attempts to access information such as the annual report, brochure, a presentation, and an e-profile on 27 March 2009 resulted in errors.[18] Subsequent attempts on 6 and 10 April 2009 were also

[17] Items 10 and 13, available online at http://www.transparency.org.pk/pm/psm.htm
[18] http://www.asgpk.com

unsuccessful. In the news and updates section of the website, a scrolling text message, "Abbas Steel Group is now one of the largest steel manufacturers in the country" dated 12 December 2008 can be seen without any supporting information as how this claim can be made. The website is devoid of any useful information such as prices, selling terms and conditions, delivery schedules, etc.

**44.** Therefore, to ascertain the veracity of the allegation, we reviewed the NOR data that the PSM was providing on its website for the period January to November 2008.

**45.** The allocations of SAE 1008, SAE 1010, and WR8 billets to Abbas Group are compared against two undertakings – Frontier Foundry and Naimatullah Steel – in the graph. However, details of monthly allocations for 2008 made by PSM to <u>all</u> undertakings can be found in the Annex.




a) **SAE 1008 Billets**. In the first half of 2008, allocations to the Abbas Group were higher than those to other undertakings, but there is a considerable spike in the allocation from June 2008 onwards, to the extent that in October and November 2008, all billets of this category were allocated to them. Annex 1 contains details of monthly allocations for the period January-November 2008.

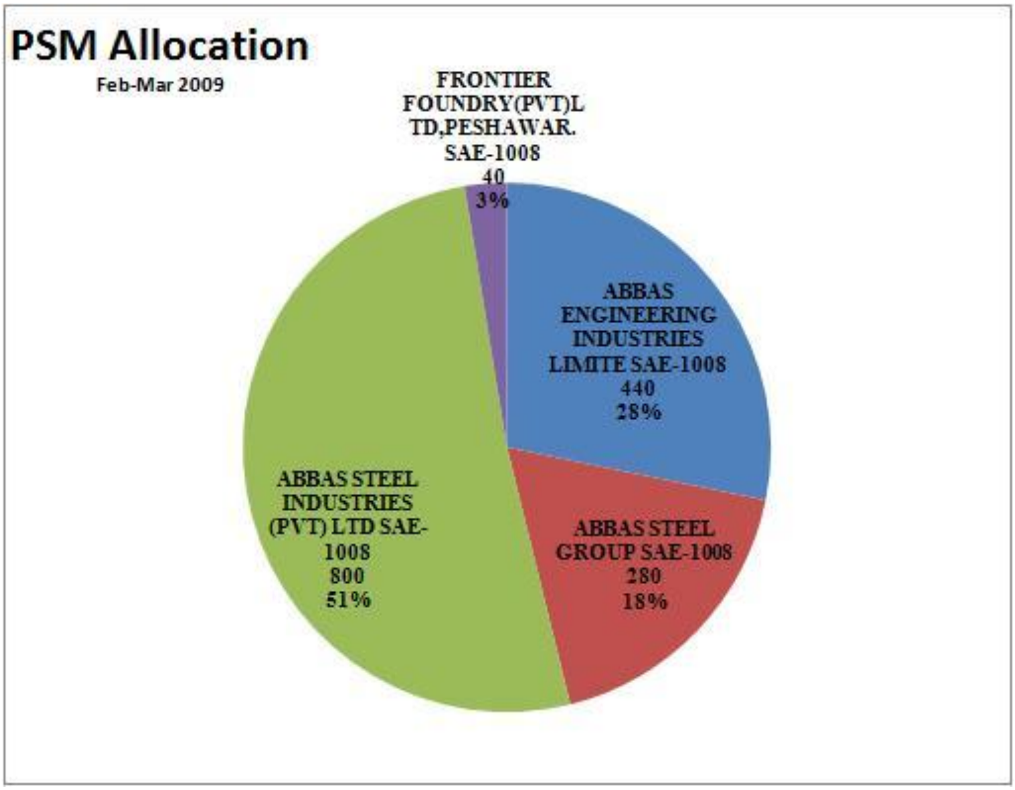
b) **SAE 1010 Billets**. A similar pattern of these billets can be noted *i.e.*, a sharp increase in allocation to Abbas Group from June 2008 onwards reaching 100% in October and November 2008. Annex 2 contains details of monthly allocations for the period January-November 2008.

c) **WR8 Billets**. Most of these billets have been provided to Abbas Group throughout the year, with little, if any, allocation to any other undertaking. Annex 3 contains details of monthly allocations for the period January-November 2008.

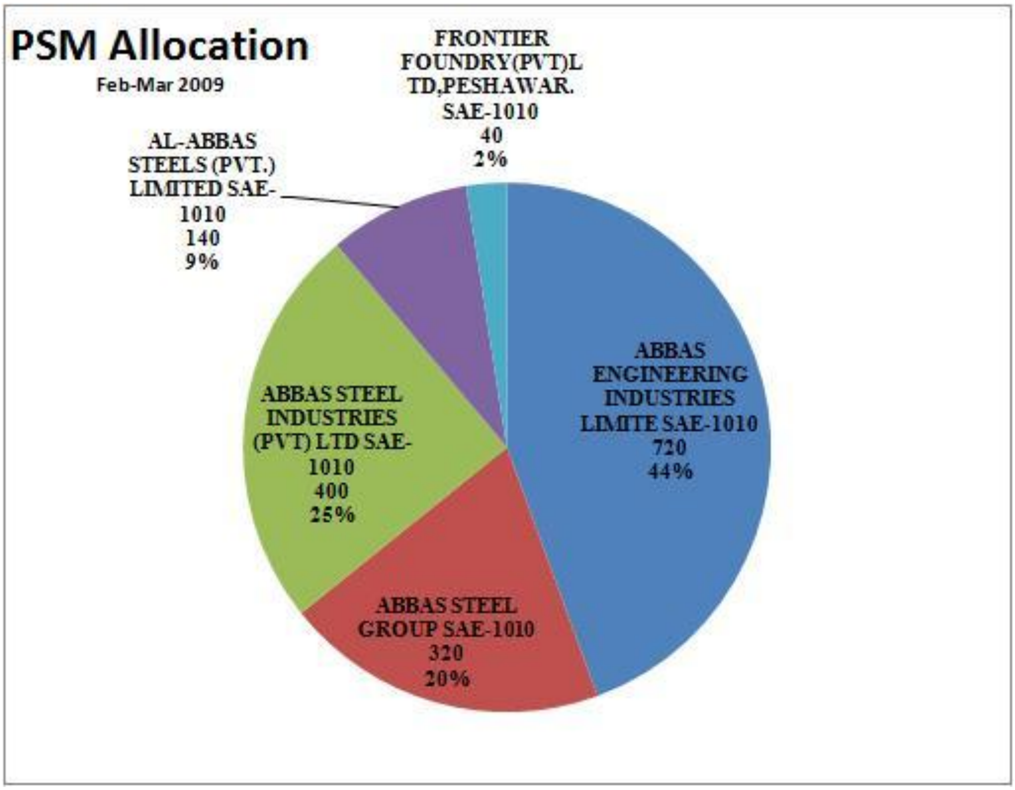
d) No data for December 2008 was made available, a fact highlighted by the complainant, the Chairman Re-Rolling Mills Association, and TI-Pakistan as the lack of transparency on the part of PSM (see para 13).

46. NORs were placed on the PSM website from February 2009 onwards and those for the period February-March 2009 were also analysed for patterns of allocation:

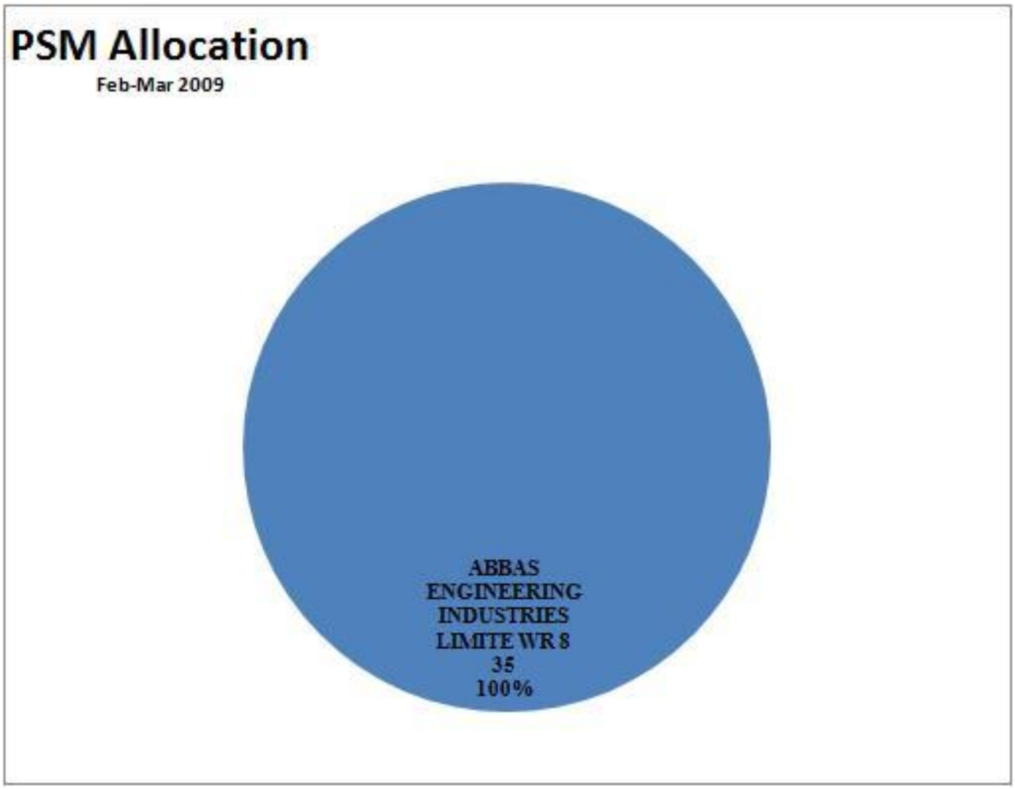
a) **SAE 1008 Billets**. 97% of the billets of this category produced by PSM were allocated to the Abbas Group; 3% to the complainant, Frontier Foundry.



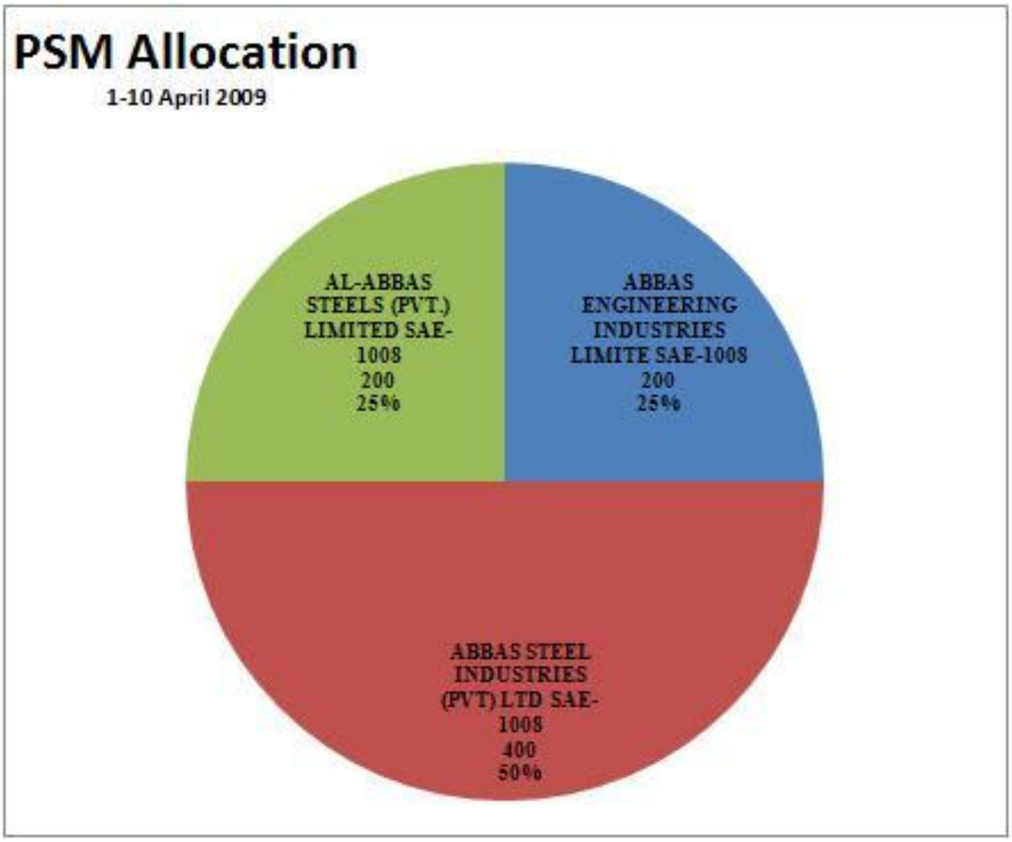

b) **SAE 1010 Billets**. 98% of the billets of this category produced by PSM were allocated to the Abbas Group; 2% to the complainant, Frontier Foundry.

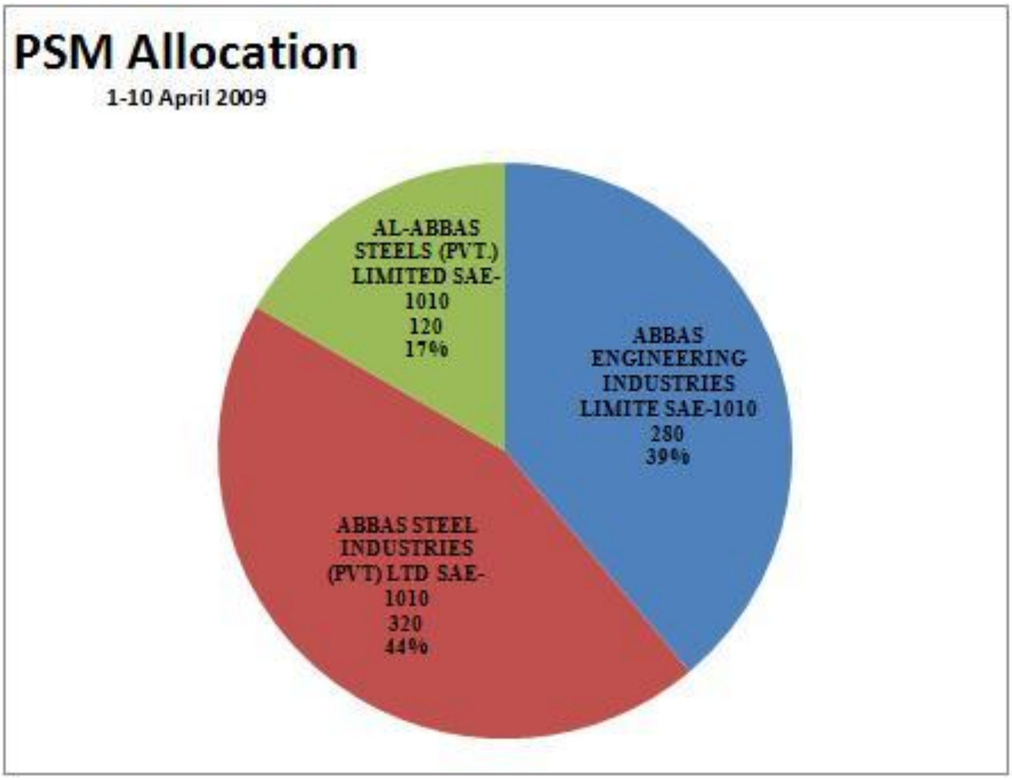



c) **WR8 Billets**. All billets of this category produced by PSM were allocated to the Abbas Group.




**47.** NOR data for the period 1-10 April 2009 indicates that <u>all</u> billets of category SAE 1008 and SAE 1010 (800 tons and 720 tons, respectively) were issued to the Abbas Group.




## H. CONCLUSIONS

**48.** Based on the documentation provided to the Commission as well as the analysis done on the NOR data taken from the PSM website, it appears that the allegation that a large allocation of billets, specifically of category SAE 1008, SAE 1010, and

WR8, is being made to the Abbas Group at the expense of other customers of said billets is true.

**49.** This over-allocation of billets to the Abbas Group has had ramifications on the workings of many re-rolling mills in Pakistan as PSM is their primary source of material. The shortage of material has forced many of them to reduce operations and lay-off workers.

**50.** In view of the foregoing, it is concluded that PSM is, *prima facie*, abusing its dominant position and is in contravention of Section 3(3)(g) and (h) as it has refused to deal with purchasers in relation to low carbon steel billets, despite its own admission that it was holding considerable raw material and finished goods (para 40) and by doing so, excluded " other undertaking[s] from the production, distribution or sale of any goods", in this case, downstream products made from steel billets.

## I. RECOMMENDATION

**51.** Ensuring the competitive process is a matter of public interest, as the law is underpinned by the notion that competition serves as a powerful means to achieve a desirable public end. By refusing to deal with purchasers of its materials and thereby excluding them from the production, distribution, or sale of any goods, it is recommended that a show cause notice under section 30 of the Ordinance should be issued to PSM.

Ahmed Qadir
Director Investigation