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## Joint fixation of urea prices

# CCP needs to check anti-competitive practices: experts

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ISLAMABAD: The Competition Commission of Pakistan (CCP) needs to examine whether or not joint fixation of urea price by the government and fertiliser companies from Rs 1,900 to Rs 1,786 per bag is an anti-competitive practices under Competition Act.

Experts told Business Recorder here on Saturday that the collective fixation of prices (at a higher or lower level) is an anti-competitive practice under the competition law. The government involvement in price fixation of any commodity with an association has been termed illegal under a past policy note issued by the CCP.

Recently, it was reported that the government and fertiliser companies had reached an agreement to reduce the price of urea from Rs 1,900 per bag to Rs 1,786 per bag. The government had noted that fertiliser companies had increased urea prices under the guise of an increase in price of gas from January 1, 2014. The government has also approved a Rs 741 per bag subsidy on imported urea to sell it to farmers at the same rate as the locally manufactured price of Rs 1,786 per bag.

The CCP had issued a policy note on the price fixation agreement between All Pakistan Sugar Mills Association (PSMA) and Ministry of Industries. This policy note stipulated that the government cannot become part of any agreement with any association(s) for fixation of prices. In this regard, policy note referred to section 4 of the Ordinance, which prohibits any "undertaking or association of undertakings to enter into any agreement, or in the case of an association of undertakings to make a decision in respect of the production, supply, distribution, acquisition or control of goods or the provision of services which have the object or effect of preventing, restricting or reducing competition within the relevant market." In particular, Section 4 (2)(a) lists the prohibited agreements which include agreements "fixing the purchase or selling price or imposing any other restrictive trading conditions with regard to the sale or distribution of any goods".

The policy note also states that the implementation of such agreements under the auspices of the government manifests legitimisation of practices prohibited under law.

The commission is of the considered view that the Government must not provide any patronage to anticompetitive practices and measures that in effect promote and encourage collusive behaviour on the part of the sugar mills through the platform of APSMA. Fixing of prices, output, etc, are universally recognised as having the most detrimental effects on competition, eradicating or seriously reducing the benefits that competitive markets deliver for consumers.

While the Commission has noted reports of alleged attempts to create artificial shortages of sugar, the commission is of the opinion that this stop gap measure of 'fixing price' can at best provide temporary relief to cap the excessive price increase. However, this measure fails to benefit the sector or the economy at large. The short-term benefit of fixing prices (if any) does not justify the long term loss caused by such anti competitive policies, the policy note said.

The note further adds that since the commission is entrusted with the mandate to provide for free competition in all spheres of commercial and economic activity to enhance economic efficiency and to protect consumers from anti competitive behaviour, the commission feels obliged to raise its concern to the government in relation to policies that impinge upon free competition and economic efficiency in any sector. In respect of the Agreement, the Commission must caution the government, that whether or not the government has conceded to the pressure applied by the sugar mills, to avert the possibility of the threat issued earlier, the mere act of entering into such an Agreement (that fixes price) constitutes a violation under Competition Ordinance, 2007, the policy note concluded.