



**FACULTY OF JURIDICAL SCIENCES**

**COURSE: B.A.LL.B. IX th Semester**

**SUBJECT: COMPETITION LAW**

**SUBJECT CODE: BAL 901**

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## LECTURE 6

### TOPIC: AIMS, OBJECTS OF THE COMPETITION ACT, 2002

There is a growing recognition that a flexible, dynamic and competitive private sector is essential to fostering sustained economic development. Promoting competition offers greater choice of higher quality products at lower price. Competition also helps for greater accountability and transparency, reduces corruption and lobbying. Competition being an efficient system of markets working encourages enterprise and widens choice. Economic theory suggests that in a competitive market, prices and quantities equilibrate to levels that generate efficient outcomes. Less mature markets tend to be vulnerable to anti-competitive practices. Competition Law and policy does not kill competition but encourages competition by penalizing anti-competitive behavior like anti-competitive agreements and abuse of dominance situations. Competition in any field is considered to be a healthy practice for nourishing the opportunities and working as a motivating factor, provided it is followed in a legitimate manner. Perfect competition can be defined as a market outcome in which all firms sell a homogeneous and perfectly divisible product, all producers and consumers are price takers, all firms have a relatively small market share, buyers and sellers have all the relevant information about the market including the price and quality of the product, the industry is categorized by freedom of entry and exit and there are no externalities. It is the foundation on which market system works and economy grows. The Competition laws of most of the countries seek to increase consumer welfare, ensure fair trading, increase economic efficiency and prevent abuse of market power (Dominant Position). The three areas of enforcement that are provided for in most competition laws are:

- i. Anti-competitive agreements including Cartels
- ii. Abuse of dominance, and

- iii. Mergers which have potential for anti-competitive effect.

### **Competition Act: An Overview**

The Competition Act was enacted in the year 2002 and it came into force on 13th January 2003. The objectives of the act have been set forth in its preamble which states that the act would provide for establishment of a Commission (i.e. Competition Commission of India) to prevent anti-competitive practices, to promote and sustain competition in the market, to protect the consumers and to ensure freedom of trade carried on by the other participants of the market. The Act regulates three Anti-competitive practices namely Anti-competitive agreements, Abuse of Dominant Position and Mergers & Acquisitions (Combinations). The main criteria used for the regulation of anti-competitive practices are that such practices should not cause an appreciable adverse effect on competition within India. Section 3 of the Act explains as to what agreements are anti-competitive in nature and it classifies such agreements into two categories namely Horizontal agreements and vertical agreements. It states that all the anti-competitive agreements which can cause an appreciable adverse effect on competition in India shall be void subject to certain exceptions as provided under section 3(5). Section 4 deals with issues of abuse of dominant position, it gives a list of acts which may amount to abuse of dominant position. Further section 5 and 6 explains aspects of combinations and also prescribe certain norms to regulate combinations.

### **Exercise:**

1. Competition Act, 2002 comprises of how many sections
  - a) 60
  - b) 66
  - c) 70
  - d) 81

2. How many chapters constitutes the entire Competition Act?

- a) 6
- b) 7
- c) 9
- d) 11

3. Competition Act, 2002 was enacted by repealing

- a) Companies Act, 1956
- b) MRTP Act, 1969
- c) Finance Act
- d) None of the above

4. On whose recommendation, Competition Act, 2002 was drafted and enacted

- a) Kelkar Committee
- b) L.C. Gupta Committee
- c) Raghavan Committee
- d) Rangrajan Committee

5. Enforcement date of Competition Act

- a) 1st Jan, 2003
- b) 1st Dec., 2002
- c) 31st March, 2003
- d) 01st of April, 2003