Competition Act, 2002

The Competition Act, 2002 is a law that governs commercial competition in India. It replaces the erstwhile Monopolies and Restrictive Trade Practices Act, 1969.

The Competition Act aims to prevent activities that have an adverse effect on competition in India

This article will give further details about the Competition Act, 2002 within the context of the Civil Services Examination.

History of the Competition Act, 2002

The Monopolies Inquiry Commission was established in April 1964 under Justice KC Das Gupta, a Supreme Court judge. The objective of the commissions was to inquire about the effect and extent of monopolistic and restrictive trade practices in important sectors of the Indian economy

The Monopolies and Restrictive Practices Act of 1969 was enacted to limit the concentration of wealth in a few hands and limit monopolistic practices, but it was too archaic in its definitions of what is a 'monopolistic practice'. Thus, it was decided that a new law governing competition in India was required

Keeping the above purpose in mind the Competition Act, 2001 was introduced in Lok Sabha by Finance Minister Arun Jaitley on 6 August 2001.

Definitions under the Competition Act

The following are the definitions cited under the Competition Act

1. Acquisition: Acquisition is defined as the direct or indirect agreement to acquire shares, voting rights or control of assets over any enterprise.

2. Cartel: A cartel is defined as an association of producers, sellers who limit control distribution, sale or promotions on goods through an arrangement previously made.

3. Position: A dominant position means a position of power held by an enterprise in the related market. It enables the enterprise to function freely and influence the market to its directions.

4. Predatory pricing: Predatory pricing is where the price of goods and services is reduced to well below the cost of production in order to eliminate competition.

5. Rule of reason: The interpretation of activity on the basis of business justification, market impact on competition and on the consumer.

Salient Features

The following are the features of the Competition Act:

1. Anti Agreements: Any individual or enterprises shall not deal in production supply or distribution that may cause a negative impact regarding competition in India. Any existence of such agreements is considered illegal.

2. Abuse of dominant position: In the event, an enterprise or an associated individual, it is found to indulge in practices that are unfair or discriminatory in nature shall be considered an abuse of dominant position. If a party is found to be in abuse of its position, then they will be subject to investigation from the concerned authorities.

3. **Combinations:** As per the act a combination is defined as terms which lead to acquisitions or mergers. But should such combinations cross the limits as put forth by the Act, then the parties involved would be under the scrutiny of the Competition Commission of India.

4. Competition Commission of India: The Competition Commission of India is an independent body with the powers to enter into contracts and should the contracts be broken they can sue the parties involved. The Commission consists of a maximum of six members who are tasked with sustaining and promoting the interests of consumers in order to foster an ideal environment for economic competition.

The other function of the Commission is to advise the Government of India regarding competition in the economy and create public awareness on the same issue.

If any person fails to comply with the orders or directions of the Commission shall be punishable with fine which may extend to ₹ 1 lakh for each day during which such non-compliance occurs, subject to a maximum of ₹ 10 crores.