


2018 ANNUAL REPORT  
**DISRUPTING UNFAIR MARKET COMPETITION**



**PHILIPPINE  
COMPETITION  
COMMISSION**

*Ensuring businesses compete and consumers benefit*



***Disrupting unfair market competition*** has been the battlecry of the Philippine Competition Commission (PCC) since it was established in 2016. Unfair market competition affects not only businesses but consumers as well, both having to cope with low quality and high prices of goods and services. Two years into its existence, the PCC remains unwavering in its commitment and mission to serve as a disruptive force that works to correct the uneven playing field across all industries and sectors in the Philippines.

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"It appears that all systems are go for the PCC, and observers are confident that it has everything it needs to be the transparent, independent, and effective agency that the new law intends."

- Global Competition Review 2018, U.K.



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# VISION AND MISSION

Established on 1 February 2016, the Philippine Competition Commission (PCC) is an independent, quasi-judicial body mandated to implement the national competition policy and enforce Republic Act No. 10667 or the Philippine Competition Act (PCA), the primary competition law in the Philippines for the promotion and protection of competitive markets.

The PCC institutes a regulatory environment for market competition to:

1. Protect consumer welfare by giving consumers access to a wider choice of goods and services at lower prices; and
2. Promote competitive businesses and encourage market players to be more efficient and innovative.

## Vision

The PCC aims to be a world-class authority in promoting fair market competition to help achieve a vibrant and inclusive economy and to advance consumer welfare.

## Mission

The PCC shall prohibit anticompetitive agreements, abuses of dominant position, and anticompetitive mergers and acquisitions. Sound and efficient market regulation by the PCC will result in markets that foster innovation, global competitiveness, and enhanced consumer choice, thereby improving public welfare.

The PCC has original and primary jurisdiction over the enforcement and implementation of the provisions of the PCA and its Implementing Rules and Regulations (IRR). Its mandate includes:



Review of mergers and acquisitions



Investigation and adjudication of antitrust cases



Imposition of sanctions and penalties



Conduct of economic and legal research on competition-related matters



Issuance of advisory opinions



Advocating pro-competition culture in government and businesses



Monitoring the environment for competition-relevant interventions



Monitoring and analysis of the practice of competition in markets



### Transition to the New Competition Regime

The eighth of August 2017 marks the end of the two-year transitory period provided for in the Philippine Competition Act (PCA). Affected firms were given this grace period after the law's enactment so they could renegotiate their agreements and restructure their businesses to fully comply with the PCA.

Considering the lag that normally happens between policy issuance and firm uptake, we at the Philippine Competition Commission deem 2018 as the first full year of the new regime of Philippine competition law and policy. The year also saw the country facing several challenging headwinds, with the economy beset by rising prices, especially of necessities such as food and fuel.

Against this backdrop of transition to a new competition regime and amidst the reality of pressing economic challenges, we forged ahead steadily to fulfill our mandate to prohibit anticompetitive agreements, abuses of market dominance, and anticompetitive mergers and acquisitions. As the Commission's inaugural Chairman, I am pleased to report that while we have just begun, already we are disrupting unfair market competition.

### A More Proactive and Efficient Merger Review Process

The Commission made headway by modifying its merger control regime. We raised the value of the Size of Party threshold from PHP 1 billion to PHP

5 billion, and the value of the Size of Transaction threshold from PHP 1 billion to PHP 2 billion, to more effectively filter notified transactions.

We also issued four guidelines to further streamline our processes: (1) Guidelines for the Notification of Joint Ventures; (2) Clarificatory Note on Consolidation of Ownership; (3) Guidelines on Requests for Noncoverage from Compulsory Notification; and (4) Guidelines on the Computation of Merger Notification Thresholds. With these guidelines in place, the Commission is able to improve the ease of doing business for the merging parties and, at the same time, focus on the essential elements of a holistic merger control regime.

In 2018, the Commission received 40 merger and acquisition transactions worth PHP 490.84 billion, 33 of which were approved. It reviewed voluntary commitments and imposed remedies on transactions deemed problematic from a competition point of view:

- We subjected Grab's acquisition of Uber to pricing and quality standards after opening a *motu proprio* merger review. To this end, the Commission issued a Commitment Decision that binds Grab to undertakings meant to ensure that its quality of service and pricing are not unreasonably different before and after it acquired Uber.
- We issued a Statement of Concerns on the Udenna-KGLI-NM (2Go) transaction, following a more in-depth Phase 2 review. The Commission found a substantial lessening of competition in the market for passenger and cargo shipping services due to the transaction. This led to a review of the voluntary commitments proposed by the parties to correct potential harm to the market.

Moreover, the Commission bared its teeth and imposed stiff penalties on entities found to violate merger rules. We exacted fines totaling PHP 47.74 million for various cases involving violations of the compulsory notification requirement and noncompliance with our interim measure orders.

### Vigorous Enforcement Action and Establishment of the Leniency Program

The Commission considerably ramped up its enforcement activities in 2018.

By the end of 2018, we have opened 11 preliminary inquiries: 4 based on verified complaints and 7 initiated *motu proprio* by the Commission. Nine of these inquiries led to full administrative investigations: 7 are ongoing and 2 had been closed. Recognizing that price increases in basic goods disproportionately harm the poor,

our Enforcement Office continues to investigate the rice, energy, and fuel markets, in addition to the other sectors already under our enforcement radar.

After months of conducting public consultations with stakeholders, the Commission published the Rules of its Leniency Program in December 2018. The program grants entities immunity from suit or reduction of fines in exchange for voluntary disclosure of information on cartels.

### **Understanding Key Competition Issues across Industries**

We have tasked our pool of economists to develop issues papers on sectors that fall under our priority areas. The issues papers will enable the Commission to identify key structural characteristics in the market or along segments of the industry supply chain that render the market more susceptible to anticompetitive practices.

Thus far, we have commenced studies on the following sectors: manufacturing, rice, pharmaceuticals, air and land transport, logistics, e-commerce, retail/supermarkets, telecommunications, agricultural credit, poultry and livestock, baked products, milk products, and fertilizers.

### **Mainstreaming Competition Principles through Effective Advocacy**

Effective advocacy is a cost-efficient way of ensuring that stakeholders internalize the principles of healthy competition. In 2018, the Commission submitted critical inputs to the Executive and Legislative branches to advocate for pro-competitive government policies.

- We provided technical inputs to the Department of Information and Communications Technology (DICT) and the National Telecommunications Commission (NTC) in their selection of a third player in the telecommunications market.
- We gave substantial comments on the following key legislative measures complementing the entry of a third telecommunications player: mobile number portability, open access in data transmission, spectrum management reform, and the common tower policy.
- We submitted a position paper on the amendments to the Retail Trade Liberalization Act, with the aim of undoing distortions in the market and promoting healthy competition to benefit consumers.

- We supported initiatives in Congress to amend the 80-year-old Public Services Act, particularly the lifting of foreign equity restrictions on certain industries such as telecommunications and transport.

We also successfully organized 35 advocacy, training, and communication activities for external stakeholders. Among the flagship activities are the inaugural Manila Forum on Competition in Developing Countries, the Call for Collaboration with law schools, roadshows and campus tours throughout the country, and dialogues with business associations and the judiciary.

Our advocacy efforts has started to bear fruit. The Legal Education Board has decided to integrate competition law in the corporation law subject and to include it as a stand-alone elective in the curricula of law schools.

### **Strengthening Agency Capacity toward a Fair Competition Landscape**

By the end of 2018, we have filled up 161 of our 200 available *plantilla* positions. Our staff include 46 lawyers and 20 economists. Last June, we moved to a bigger office, significantly improving workplace productivity and our capacity to hire personnel.

One of our latest accomplishments is the Commission's certification from the International Organization for Standardization (ISO) for quality management system. This certification covers the processes of merger review, competition enforcement, competition policy formulation and research, capacity building, and advocacy. This demonstrates our firm commitment to excellence as we execute the Commission's mandate.

In the Philippines, where the disparity between the rich and the poor is glaring, the Commission pledges to steadfastly serve as a disruptive force that works to correct the many distortions in the market, which disproportionately affect the poor. We are expanding the Commission's portfolio of cases and advocacy efforts in 2019, firmly believing that disrupting unfair market competition leads to improvements in consumer welfare and a fairer distribution of incomes and opportunities.

  
**ARSENIO M. BALISACAN, PhD**  
Chairman



## THE COMMISSION

**Chairman Arsenio M. Balisacan** is an economist with extensive high-level policymaking practice and a well-recognized expert in Asia on economic development, inequality and poverty, competition policy, and political economy of policy reforms.

On secondment from the University of the Philippines (UP) where he is Professor of Economics, Professor Balisacan is the first PCC Chairman. Prior to this appointment, he was Socioeconomic Planning Secretary and concurrent Director-General of the National Economic and Development Authority (NEDA) in 2012-2016. As NEDA Director-General, he served as the first Chairman of the Boards of the Philippine Statistics Authority and the Public-Private Partnership Center of the Philippines.

Previous to his Cabinet appointment, he was Dean of the UP School of Economics, Director-Chief Executive of the Southeast Asian Regional Center for Graduate Study and Research in Agriculture (SEARCA), and Undersecretary for Policy and Planning of the Department of Agriculture. Before joining the UP faculty in 1987, he was Research Fellow at the East-West Center in Honolulu and Economist at the World Bank in Washington, D.C.

He has authored and co-edited seven books and published close to 100 academic papers and book chapters on various development issues, particularly on the Philippines and East Asia. He founded the *Asian Journal of Agriculture and Development* and served as its editor from 2004 to 2016.

He is a lifetime Member-Academician of the National Academy of Science and Technology, the country's peer-elected group of select individuals who have made outstanding contributions to science and technology.

Chairman Balisacan holds a PhD degree in Economics from the University of Hawaii and an MS degree in Agricultural Economics from the University of the Philippines Los Baños.

**Commissioner Johannes Benjamin R. Bernabe** served as a Senior Fellow at the Geneva-based International Centre for Trade and Sustainable Development, where he contributed to the formulation and analyses of policy reforms on the international trade system. He was also an Of Counsel at Ocampo Manalo Law Office.

His breadth of experience in trade regulation and economic law includes serving as a trade negotiator for the Philippines at the World Trade Organization from 1999 to 2005. He specialized in competition law and trade facilitation, among other economic policies, as a Research Fellow at the Center for the Advancement of Trade Integration and Facilitation based in Quezon City.

During the 16<sup>th</sup> Congress, he served as the lead adviser to the Philippine Senate and House of Representatives on key economic legislation, including the Philippine Competition Act.

Commissioner Bernabe graduated cum laude with a bachelor's degree in Economics from the University of the Philippines, where he also subsequently finished his law degree. He pursued further studies as a Chevening Fellow at the University of London and at the International Development Law Institute in Sydney, Australia.





**Commissioner Stella Alabastro Quimbo\*** is an academican, serving as a Professor and Department Chair at the University of the Philippines School of Economics prior to her appointment in the Philippine Competition Commission.

She has an extensive research portfolio in health economics, industrial organization, microeconomics, education, poverty, and public policy and regulation. She has participated in many international and local academic conferences and authored numerous publications, one of which received the 2015 Outstanding Scientific Paper Award from the National Academy of Science and Technology (NAST). Later, NAST also conferred on her the Outstanding Young Scientist Award.

From 2011 to 2013, Commissioner Quimbo was holder of the Prince Claus Professorial Chair at Erasmus University of Rotterdam in the Netherlands. She is a recipient of the Freedom Flame Award of the Friedrich Neumann Foundation for Freedom Philippine Office, a German foundation for liberal politics, as well as of the UP President Edgardo J. Angara Fellowship and UP Diliman Centennial Faculty Grant.

She obtained her bachelor's (summa cum laude), master's, and doctoral degrees in Economics from the University of the Philippines. She spent a year as a postdoctoral fellow at Brown University's Population Studies and Training Center (Providence, Rhode Island, USA) in 2002.

**Commissioner Amabelle C. Asuncion** has a diverse experience that spans both the public and private sectors. She served as executive director of the Senate Oversight Committee on Climate Change, Senate legislative officer, and adjudication chief of the National Water Resources Board. She had been a law and policy reform consultant to the Asian Development Bank.

She has had an extensive commercial and corporate law practice. She had advised top local and foreign businesses in various capacities, including as chief legal counsel and as a corporate partner of a law firm. Immediately prior to joining the PCC, she was an advocacy adviser of the European Chamber of Commerce.

She received her law degree from the University of the Philippines (UP) and Master of Laws (with distinction) in International Legal Studies from Georgetown University Law Center in Washington, D.C. She is admitted to the New York bar. She finished BA in English Studies (magna cum laude) from UP. She was editor of the *Philippine Law Journal* and has published works locally and internationally, such as the *European Journal of International Law*.

**Commissioner Macario R. De Claro, Jr.,\*\*** a certified public accountant (CPA) and lawyer, has a vast corporate work experience in the fields of manufacturing, mining, telecommunications, real estate, and banking and finance.

He started his career as a senior accountant in a mining company and later as a budget systems analyst at San Miguel Corporation. After passing the bar exams, he worked as a litigation and corporate lawyer in various companies and later was tapped by the Philippine National Bank (PNB) as technical assistant to the President and CEO in 1995.

After retiring from PNB in 2003, Commissioner De Claro, Jr. resumed his legal and accounting profession, serving as a consultant to real estate companies and various startup companies. At one time he served as a legal consultant to the Department of Environment and Natural Resources (DENR).

He earned a Bachelor of Laws degree (magna cum laude) from the Ateneo de Davao Law School. Prior to that, he graduated magna cum laude from the De La Salle College with a Bachelor of Science degree in Commerce, major in Accounting.

\*Left the Commission on 22 November 2018.

\*\*Joined the Commission on 11 September 2018.

# 2018 BY THE NUMBERS

With the Philippine Competition Act's transitory period ending in August 2017 and having the full force of the law at its disposal, the PCC went full swing in its implementation of the PCA in 2018. It began to disrupt unfair market competition, prohibiting anticompetitive agreements, abuses of market dominance, and anticompetitive mergers and acquisitions.



## Review of Mergers and Acquisitions

- 95 pre-notification consultations conducted
- **40 notifications received**
- PHP 490.84 billion combined worth of transactions received
- **33 cases approved**
  - 1 case approved with voluntary commitments
- PHP 47.74 million in fines collected from non-notification and other violations
- **4 guidelines and clarificatory notes issued**

## Case Investigations



- **5 Preliminary Inquiries commenced**
  - 1 verified complaint
  - 4 *motu proprio*
  - 1 case closed after preliminary inquiry
- **5 Full Administrative Investigations commenced**
  - 1 case closed after full administrative investigation
- 11 informal complaints received



## Capacity-Building and Advocacy Activities

- **35 activities conducted**
  - 18 capacity-building
  - 17 advocacy
- 43 trainings and conferences attended

## Market Studies and Policy Advocacy



- 3 issues papers commenced (fertilizer, baked products/flour, milk products)
- 5 issues papers concluded (rice, manufacturing, pharmaceuticals, air transport, livestock and poultry)
- **13 position papers on bills and regulations submitted**
- 5 memoranda of agreement (MOA) signed with 4 government agencies and a national association



## Institution Building

- 161 of 200 *plantilla* positions filled
  - 46 lawyers and 20 economists
- **ISO 9001:2015 Certification**
- Transferred to new and bigger office in Quezon City



**“As we continuously improve our processes, we remain committed to fostering vibrant and fair market competition—to the benefit of businesses and consumers alike—and in pursuit of sustained and inclusive growth.”**

- Chairman Arsenio M. Balisacan, PhD

# REVIEW OF MERGERS AND ACQUISITIONS

The PCC, through its Mergers and Acquisitions Office, reviews mergers and acquisitions (M&As) to determine if these will lead to substantial lessening of market competition that may result in higher prices, fewer choices, or lower quality of goods and services.

In 2018, the Commission significantly changed its merger control regime. It adjusted the merger notification thresholds to better filter notified transactions, raising the Size of Party threshold from PHP 1 billion to PHP 5 billion and the Size of Transaction threshold from PHP 1 billion to PHP 2 billion. Beginning March 2019, these thresholds will be adjusted annually based on the nominal GDP growth of the previous year.

The PCC also issued four guidelines to further streamline its merger review processes. With these guidelines in place, the Commission can focus on the other essential elements of a holistic merger control regime, such as market monitoring, policy advocacy, and market studies. These guidelines are:

- *Guidelines on the Computation of Merger Notification Thresholds* to aid in determining the proper computation of the Size of Party and Size of Transaction of M&As;
- *Guidelines for the Notification of Joint Ventures* to aid parties in assessing whether or not they need to notify the Commission on their proposed joint venture transaction;
- *Guidelines on Requests for Noncoverage from Compulsory Notification* to guide parties in submitting information on

M&As that fall below the notification thresholds; and

- *Clarificatory Note No. 18-001: Consolidation of Ownership* to elucidate and give guidance on whether

or not the Commission needs to be notified on a transaction involving consolidation of ownership.



## TOTAL TRANSACTION FREQUENCY AND VALUE PER SECTOR

Sector	Frequency of Transactions	Transaction Value (in Billion PHP)
Manufacturing	8	155.40
Electricity, gas, steam and air-conditioning supply	6	80.34
Real estate	9	57.14
Transportation and storage	3	52.73
Administrative and support services	2	41.66
Wholesale and retail trade; repair of motor vehicles and motorcycles	3	38.75
Financial and insurance	4	28.52
Mining and quarrying	1	19.05
Human health and social work	1	8.92
Education	1	3.85
Information and communication	1	2.92
Accommodation and food service	1	1.55
<b>Total:</b>	<b>40</b>	<b>490.84</b>



As of 31 December 2018, the PCC has received a total of 168 M&A transactions, cumulatively worth PHP 2.6 trillion. It had approved 159 (94.6%) of these transactions. Forty M&A transactions, altogether worth PHP 490 billion, were received in 2018 alone; 33 (82.5%) of these had been approved. The sectors with the most transactions are real estate (9), manufacturing (8), electricity and gas (6), and financial and insurance (4).

The Commission has exercised its power to review voluntary commitments and impose remedies on transactions deemed problematic from a competition point of view.

First, it subjected Grab's acquisition of Uber to pricing and quality standards after opening a *motu proprio* merger review. These conditions were part of Grab's voluntary commitments to address the competition concerns raised in view of the merger of the country's two biggest ride-hailing apps. The Commission issued a Commitment Decision that binds Grab to undertakings

meant to ensure that its quality of service and pricing are not unreasonably different before and after it acquired Uber. It stands to guard against any breach through an appointed third-party trustee that independently monitors Grab on its commitments.

Second, the PCC issued a Statement of Concerns on the Udena-KGLI-NM (2Go) transaction, following a more in-depth Phase 2 review. It found a substantial lessening of competition in the market for passenger and cargo shipping services due to the transaction. This led to a review of the voluntary commitments proposed by the parties to correct potential harm to the market.

Last, the PCC reviewed Universal Robina Corporation's acquisition of Central Azucarera Don Pedro. It studied the parties' voluntary commitments to address potential loss of competition in the market for sugarcane milling services. It raised concerns that this merger-to-monopoly transaction may adversely affect sugarcane planters in Batangas, Laguna, Cavite, and Quezon.

Moreover, the Commission imposed stiff penalties on entities found to violate merger rules. It exacted fines totaling PHP 47.74 million for various cases involving violations of the compulsory notification requirement and noncompliance with interim measures. Entire transactions were also voided for non-notification, forcing erring parties to have their transactions undergo the Commission's merger review.

These actions are hoped to have sent a strong message to deter future violations and encourage compliance among businesses.

## List of Transactions Reviewed in 2018

Transaction No.	Notifying Parties
M-2017-050	Phoenix Petroleum Philippines, Inc.; Philippine Family Mart CVS, Inc.
M-2017-051	Landbank of the Philippines; Postal Savings Bank, Inc.
M-2018-001	Pact Group Industries (Asia) Pty Ltd.; Closure Systems International (Philippines), Inc.
M-2018-004	Markham Resources Corp.; Alternergy Mini Hydro Holdings Corp.
M-2018-002	Ayala Land, Inc.; Royal Asia Land, Inc.
M-2018-005	Ningbo Joyson Electronics Corp.; Takata Corporation
M-2018-003	SMC Global Power Holdings Corp.; Masin AES Pte. Ltd.; AES Transpower Pte. Ltd.; AES Philippines, Inc.
M-2018-006	Fullerton Healthcare Corp. Ltd.; Asalus Corp.; Avega Managed Care, Inc.; Aventus Medical Care, Inc.
M-2018-007	Ayala Land, Inc.; Central Azucarera de Tarlac
M-2018-009	Bases Conversion Development Authority; MTD Capital Berhad
M-2018-008	Robinsons Land Corporation; Shang Properties, Inc.
M-2018-011	Alterpower Specialist, Inc.; Enfinity Philippines Renewable Resources Fourth, Inc.
M-2018-015	Robinsons Land Corporation; Ideal Realm Limited
M-2018-014	City Savings Bank, Inc.; Union Properties, Inc.; Petnet, Inc.
M-2018-013	Udenna Corporation; The Port Fund L.P.
M-2018-017	United Technologies Corp./Riveter Merger Sub Corp.; Rockwell Collins, Inc.
M-2018-016	Microchip Technology Incorporated; Microsemi Corporation
M-2018-018	CSP Alpha Holdings Parent Pte Ltd; StarTek, Inc.
M-2018-010	City Savings Bank, Inc.; Philippine Resources Savings Banking Corporation
M-2018-019	Suntrust Properties, Inc.; Stateland, Inc.
M-2018-020	Aisin Seiki Co., Ltd.; Toyota Autoparts Philippines, Inc.
M-2018-022	Alveo Land Corp.; Antel Land Holdings, Inc.
M-2018-024	Robinsons Retail Holdings, Inc.; Rustan Supercenters, Inc.
M-2018-023	Century Properties, Inc.; Mitsubishi Corporation
M-2018-025	Citicore Renewable Energy Corporation; Enfinity Philippines Renewable Resources Fourth, Inc.
M-2018-026	AXA SA; XL Group Ltd.
M-2018-027	SYNNEX Corporation; Convergys Corporation
M-2018-029	Carmelray Property Holdings, Inc.; Lopez, Inc.; San Ramon Holdings, Inc.; CVY Property Holdings, Inc.; Juan Miguel V. Yulo; Maria Rosario Y. Ng; Ma. Cristina Y. So; Maria Luisa Y. Teehankee; Carmen V. Yulo
M-2018-028	The Walt Disney Company; Twenty-First Century Fox, Inc.
M-2018-031	Macsteel Global SARL BV; MSSA Investments BV
M-2018-030	Autohub Group Capital Holdings, Inc.; Global City Auto Sales, Inc. doing business under the name and style of Ford Global City; Ford Manila; and Ford Global
M-2018-032	ORIX Aviation Systems Limited; Avolon Holdings Limited
M-2018-035	Coca-Cola South Asia Holdings, Inc./Coca-Cola Holdings (Overseas) Limited; Coca-Cola FEMSA Philippines, Inc.
M-2018-036	Salon De Rose, Inc.; New Trading Enterprise, Inc.; Berovan Marketing, Inc.; Mulgrave Corporation BV
M-2018-040	KEPCO Philippines Holdings, Inc.; Solar Philippines Calatagan Corporation
M-2018-038	AC Education, Inc.; iPeople, Inc.
M-2018-037	Freeport Indonesia; PT Indonesia Asahan Aluminum (Persero)
M-2018-021	Universal Robina Corporation; Central Azucarera Don Pedro, Inc.

## PCC binds Grab to service quality, price conditions for Uber takeover

The PCC subjected Grab's acquisition of Uber in the Philippines to service quality and pricing standards in clearing the transaction. These conditions for clearance were part of Grab's voluntary commitments to address the competition issues raised in the Statement of Concerns released on 2 May 2018 by PCC's Mergers and Acquisitions Office. The Statement highlighted price increases and service deterioration arising from the merger of the country's two biggest ride-hailing apps.

The Commission issued a Commitment Decision on 10 August 2018, holding Grab to a standard as if Uber were present in the market. The Commitment Decision aims to ensure that Grab's quality of service and pricing are not unreasonably different before and after it acquired its competitor Uber. It covers the following:

- **Service Quality Commitment:** Grab shall commit to bring back market averages for acceptance and cancellation rates before the transaction, and response time to rider complaints.
- **Fare Transparency Commitment:** Grab will revise its trip receipt to show the fare breakdown per trip, including distance, fare surges, discounts, promo reductions, and per-minute waiting charge (if reinstated by the Land Transportation Franchising and Regulatory Board).
- **Commitment on Pricing:** Grab shall not have prices that have "extraordinary deviation" from the minimum allowed fares. It will be penalized equivalent to 5 percent of its commissions, or up to PHP 2 million, in the identified trips with extraordinary deviations that have no sufficient justification.
- **Removal of "See Destination" Feature:** Grab will remove "see destination" feature for drivers with low ride acceptance rate.

- **Driver/Operator Non-Exclusivity**

**Commitment:** Grab shall not introduce any policy that will result in drivers and operators being exclusive to Grab. Current Grab drivers/operators are allowed to register/operate under other Transport Network Companies through a multi-homing scheme.

- **Incentives Monitoring Commitment:**

Since incentives may result in drivers remaining exclusive to Grab, and thus affect its competitors' conditions of entry and ability to expand, the Commission shall monitor and evaluate Grab's incentives based on mandatory quarterly reports.

The Commitment Decision emphasizes that any breach of the conditions will subject Grab to fines of up to PHP 2 million per breach, or unwinding of the transaction. Violations or arrangements intended to circumvent the application of the commitments by parties may likewise result in appropriate penalties.

The PCC stands to guard against any breach or noncompliance through an appointed impartial third-party trustee that independently monitors Grab on its commitments for a period of one year after issuance of the Commitment Decision.



## Trans-Asia deal voided and fined; Chelsea-2Go transaction cleared

The PCC nullified Chelsea Logistics Holdings Corp.'s acquisition of Trans-Asia Shipping Lines, Inc. and imposed a PHP 22.8-million fine for their failure to notify the Commission about the transaction in December 2016. Chelsea Logistics is a wholly-owned subsidiary of Udenna Corporation. Through its subsidiaries, it is engaged in maritime trade and shipping transport. On the other hand, Trans-Asia is primarily engaged in domestic shipping, transporting passengers and cargoes.

The nullification of the Trans-Asia deal led to the Commission's conditional clearance of a related transaction—Chelsea Logistics's acquisition of KGLI-NM Holdings, Inc., which controls 2Go. This transaction involved Chelsea Logistics's acquisition of shares in KGLI-NM to consolidate its majority ownership in KGLI-NM and gain a 52.98 percent stake in the 2Go group.

The PCC's investigation initially found that Chelsea's control of both 2Go and Trans-Asia would substantially lessen competition, affecting roll-on/roll-off passenger shipping services in Cebu-Cagayan De Oro, Cagayan De Oro-Cebu, Cebu-Ozamis, Ozamis-Cebu, Cebu-Iligan, and Iligan-Cebu legs; and cargo


shipping services in the same areas plus the Cebu-Zamboanga leg. 2Go and Trans-Asia overlap or compete directly with each other in these legs.

With the Trans-Asia agreements out of the picture due to the nullification order, the overlaps with 2Go in the six legs of passenger shipping services and seven areas in cargo shipping services in the Visayas and Mindanao indicated in the Commission's Statement of Concerns were ruled out.

In two separate Commission Decisions dated 28 June 2018, Trans-Asia was ordered to inform the PCC within 30 days from execution of merger or acquisition agreements involving any of its shares after the nullification order. On the other hand, if Chelsea Logistics' parent entity Udenna Corporation or any of its subsidiaries/affiliates pursues the purchase or re-execute the voided Trans-Asia deal, the parties were required to notify the Commission of the transaction even if it does not fall under the mandatory notification regime.







## PCC rejects Universal Robina Corporation's voluntary commitments in acquisition of Central Azucarera Don Pedro

Universal Robina Corp. (URC) proposed to acquire the milling and refining assets of Central Azucarera Don Pedro, Inc. (CADPI) and the land owned by Roxas Holdings, Inc. (RHI) located in Nasugbu, Batangas. The transaction covers the relevant markets of sugar cane milling and refining services and the production, distribution and sale of raw sugar, refined sugar, and molasses in Batangas, Cavite, Laguna, and Quezon.

In its review of the transaction, the PCC considered planter-miller sharing agreements, quoted recovery rates, and incentives provided to planters. After consultations with stakeholders, it also considered the opposition of individual planters, planters' associations, and local government units of several towns in Batangas to the transaction, which claimed that the loss of competition is detrimental to them.

The Merger and Acquisition Office's Statement of Concerns indicated that the URC-CADPI-RHI transaction will likely lessen substantially the competition in the sugar cane milling services market in the provinces of Batangas, Cavite, Laguna, and Quezon. In response, the parties offered voluntary commitments to address the competition-related concerns.

After careful deliberation and consultation with the affected stakeholders, however, the Commission decided to reject the proposed voluntary commitments because these did not sufficiently address the anticompetitive effects arising from the transaction. Subsequently, the Commission reverted to the regular merger review process by the end of 2018.

# ENFORCING COMPETITION POLICY



The PCC launched various programs in 2018 to significantly ramp up its enforcement activities.

On 29 December 2018, it published the Rules of its Leniency Program after months of public consultations with stakeholders. The Leniency Program, to be rolled out in January 2019, is designed to deter the creation of cartels and to aid in the detection and prosecution of existing ones. This is done by incentivizing cooperation from current and former cartel participants who possess information and/or evidence necessary for a successful investigation of a case.

Parallel to the planned tripartite action plan and formal constitution of a joint task force with the Office of the Ombudsman and the Commission on Audit to investigate bid rigging in public procurement, the Commission launched a dedicated webpage on bid rigging. It considers bid rigging as one of the more serious violations of the PCA because it results in higher costs, which are passed on to consumers, who are harmed through higher prices and lower quality of goods and services.

The PCC's enforcement action does not operate in a vacuum, since the Commission carefully considers current and pressing developments in Philippine markets. For instance, recognizing that price increases in basic goods disproportionately harm the poor, the PCC, through its Enforcement Office, has been investigating the rice, energy, and fuel markets, in addition to the other sectors already under its enforcement radar.

By the end of 2018, the Commission has conducted 11 preliminary inquiries. Seven of these were conducted *motu proprio* and four were based on verified complaints. The inquiries cover several sectors, among them insurance, retail fuel, and rice. Two of the inquiries had been closed, while nine proceeded to full administrative investigations.

Keeping its lines of communication open to the public, the Commission has received a total of 152 queries and informal complaints on possible anticompetitive agreements and conduct.





## BID RIGGING IS AGAINST THE LAW

**B**id rigging occurs when competitors coordinate their actions to manipulate the outcome of a bidding process to their benefit. It can affect both government procurement and bidding held by private businesses.

Bid rigging is illegal under the PCA as it undermines the essence of a competitive bidding process, the purpose of which is to achieve best value for money. Ultimately, the higher costs resulting from bid rigging are passed on to consumers in the form of higher prices and lower quality of goods and services. In cases involving public procurement, consumers are harmed twice due to overspending of taxpayers' money.

As such, the PCC gives priority to investigation of bid-rigging cases, which it carries out with the support of the Office of the Ombudsman and the Commission on Audit.

Recognizing the urgency and significance of ensuring fairness in the competitive process of bidding, even as the Build, Build, Build Program—the government's flagship socioeconomic project—has taken off, the Commission authorized in 2018 the commencement of a preliminary inquiry into a possible bid rigging of a government project awarded in 2017, involving hundreds of millions of pesos.

### FOUR COMMON FORMS OF BID RIGGING



#### COVER BIDDING

Competitors agree to submit bids that are either higher than the bid of the designated winner or contain terms known to be unacceptable to the purchaser.



#### BID SUPPRESSION

Competitors agree that one or more of them will not submit a bid or withdraw a previously submitted bid.



#### BID ROTATION

Competitors agree to take turns being the winning bidder.



#### MARKET ALLOCATION

Competitors agree to divide the market and not compete for certain customers or in certain geographic areas.

# Red Flags

Bid riggers are quite sophisticated and calculating. Below are some **red flags** to look out for, as well as the riggers' common modus operandi.



## **AWOL**

Regular suppliers expected to bid fail to do so.



## **DÉJÀ VU**

One company often wins, while others almost never win.



## **KILLJOYS**

Bid prices drop whenever a new or infrequent bidder submits a bid.



## **LAST SUPPERS**

Competitors regularly socialize or hold meetings shortly before tender deadline.



## **MERRY-GO-ROUNDS**

The same bidders seem to take turns in winning.



## **PROMO ENDS**

Anticipated discounts or rebates disappear unexpectedly.



## **SPECIAL LOCAL PREMIUMS**

Local suppliers are bidding higher prices for local delivery than for delivery to destinations farther away.



## **TAMBAK**

There is a large difference between the price of the winning bid and the other bids.



## **CONSOLATION PRIZES**

The winning bidder subcontracts work to losing bidders.



## **JUMP SHOTS**

Sudden and identical increases in prices by bidders that cannot be explained by cost increases.



## **MGA LAGING HANDA**

A company brings multiple bids to a bid opening and chooses which bid to submit after determining (or trying to determine) who else is bidding.



## **MATCHES MADE IN HEAVEN**

Several bidders submit documents containing a significant number of identical cost estimates of certain items.



## **NOT FOLLOWING INSTRUCTIONS**

A company submits a bid that obviously does not deliver on budget nor on quality according to the terms of the tender.



## **SAME DAY EDITS**

Bid documents from different companies indicate numerous last-minute adjustments, such as erasures or other physical alterations.



## **TAMANG-TAMA**

The quote of the winning bidder is almost equal to the budget fund posted for the bid.



*The Leniency Program is meant to undercut the most damaging forms of anticompetitive behavior such as price-fixing, bid-rigging, output restriction, and market allocation that hurt consumers and sabotage the economy's gains.*

*After all, at the heart of a cartel lies two things—agreement and code of silence... The aim here is to drive a wedge among cartel members by creating a dilemma that someone can report them at any point to avoid suit or have reduced fines.*

Atty. Orlando P. Polinar  
Director, PCC Competition Enforcement Office



## PCC introduces Leniency Program to help fight cartels

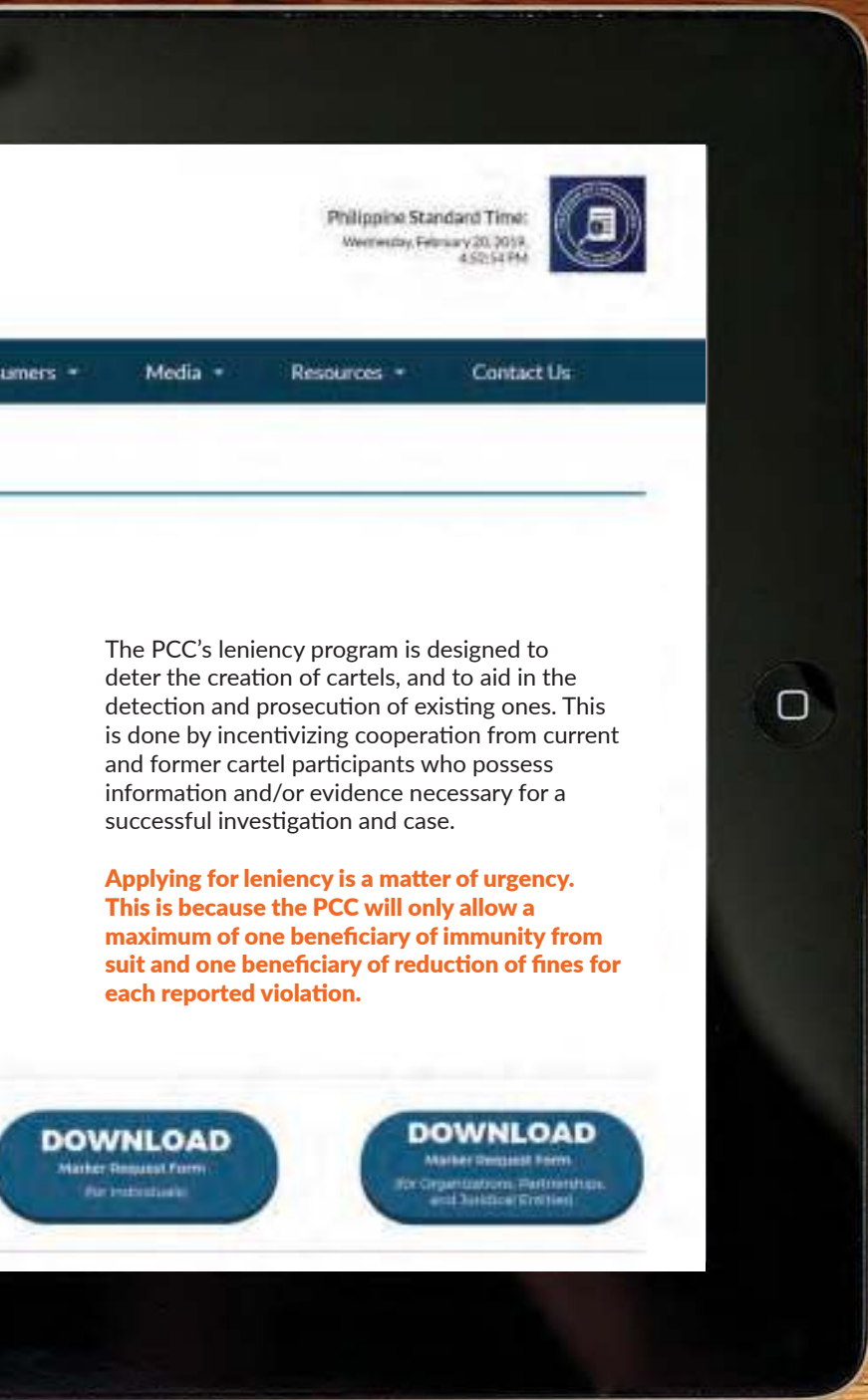
Cartels—businesses conniving to manipulate the market to their advantage—significantly harm consumers by engaging in coordinated anticompetitive behavior, such as price-fixing, bid rigging, output restriction, and market allocation. These acts are prohibited under the PCA.

The penalties for violating the PCA can be very severe. Aside from fines reaching up to hundreds of millions of pesos, owners and employees of businesses involved in anticompetitive behavior may also face jail time.

To help fight cartels, the PCC crafted a Leniency Program. The program offers immunity from suit or reduction of administrative fines to current and former cartel participants who possess information and/or evidence necessary for a successful investigation of a case.

To ensure that the program is responsive and effective, the Commission conducted a public consultation in November 2018 on the draft Rules of Leniency. After a meticulous review process, the Commission published the final version of the Rules the following month in two national newspapers of major circulation, as well as posted it online. It also launched a dedicated webpage on Leniency to explain to consumers the program's benefits and to provide businesses vital information on how to avail themselves of the Leniency Program.





## Benefits of a Leniency Program to Consumers

A leniency program is one of the tools used by many competition authorities because it increases the likelihood of detecting cartels. Dismantling cartels increases competition. This benefits consumers because improved competition leads to lower prices, better products and services, and more innovation. This also allows competition agencies to focus on other issues as resolution of cartel-related cases becomes faster.

With the PCC's Leniency Program already in place, consumers can expect the following:

- Pre-emption of cartel creation, as joining one becomes less attractive due to an increased risk that one of the cartel participants will report their illegal activity.
- Exposure of existing cartels, as there is now a mechanism for reporting cartel members and their anticompetitive conduct.
- Penalty and punishment, as building cases against cartel members is facilitated due to "insider" information provided by a cartel member.
- Dismantling of cartels due to members opting out as they apply for leniency and other members stopping as well from fear of being reported by their co-conspirators.
- Knowledge sharing between and among competition authorities on stopping cartels from operating and preventing new ones from existing.

# ADVANCING COMPETITION THROUGH POLICY RESEARCH

## Inputs to key legislative measures

Pre-empting anticompetitive conduct is far more cost-effective than detecting and pursuing anticompetitive conduct later on. Guided by this principle, the PCC conducts economic research, as mandated by the PCA, and reviews policies and regulations that may adversely affect market competition. It also provides inputs, through submission of position papers, to the executive and legislative branches to ensure that a competition lens is considered in the formulation of bills and regulations.



### *Selection of Third Telco Player*

The Commission provided technical inputs to the Department of Information and Communications Technology (DICT) and the National Telecommunications Commission (NTC) to ensure that the principles of competition are considered in their selection of a third telecommunications player. The inputs to the terms of reference include the definition of a related party; voluntary return of frequencies should the third player become a related party to a dominant player; and spectrum recall should the third player breach its commitments. Since the PCC's inputs already address possible competition-related concerns, they serve as *ex ante* review of the transaction.



### *Mobile Number Portability Bill / Lifetime Cellphone Number Bill*

Portability allows users to retain their mobile numbers when moving from one service provider to another or when switching from prepaid to postpaid plans and vice versa. This proposed legislation will spur competition because it will reduce switching costs of subscribers and incentivize providers to improve their services to retain market share.





#### ***Amendment of the Retail Trade Liberalization Act***

The PCC supports the move to further liberalize the country's retail trade sector. The entry of foreign retailers is ultimately beneficial to consumers and domestic retailers. Entry can be encouraged by removing the minimum capital requirement for foreign retailers, thereby allowing small domestic retailers to source their products from more cost-efficient entrants.



#### ***Amendment of the Public Services Act***

The Commission has supported initiatives in Congress to amend the 80-year-old Public Services Act, particularly the lifting of foreign equity restrictions on certain industries, such as telecommunications and transport. It has proposed to redefine public utilities, thereby limiting the application of the foreign equity cap. This will encourage foreign direct investments, which in turn will boost economic growth and foster more competition.



#### ***Review of the Foreign Investments Act***

The PCC welcomes the filing of a Senate Resolution that seeks to conduct an omnibus study to update the Foreign Investments Act. Easing nationality restrictions in key sectors of the economy promotes efficient market competition.

A wider understanding and deeper appreciation of the benefits of fair market competition— at all levels of decision-making in government, the business sector, and by consumers—are indispensable to creating and maintaining a culture of competition in the Philippines.

The PCC's economic research includes an examination of the structure, conduct, and performance of select industries. Results of these studies (i.e., issues papers) enable the PCC to scan industries for possible anticompetitive practices and aid policymakers in crafting pro-competitive legislation and sectoral regulations.

Issues papers have been generated on sectors that fall under the Commission's priority areas: manufacturing, rice, pharmaceuticals, air transport, public land-based transport, and poultry and livestock. Ongoing studies include agricultural credit, e-commerce, retail/supermarkets, telecommunications, baked products, milk products, and fertilizers.

Through the issues papers, the PCC has identified key structural characteristics in the market or along segments of the industry supply chain that render the market more susceptible to anticompetitive practices. Likewise, these studies inform the Commission when it weighs in and decides on cases brought before it, and provide guidance in prioritizing enforcement and advocacy activities.



### AIR TRANSPORT

Upon reviewing past regulations that led to significant improvements in the country's air transport, the PCC has flagged possible competition concerns due to the highly capital-intensive and oligopolistic structure of the market. The study recommends the review of airfare regulation in routes served by only one carrier and the government's policy stance on negotiating bilateral air service agreements.

### MANUFACTURING

The PCC has commissioned an issues paper on the manufacturing sector to formulate a prioritization matrix that would serve as basis for its selection of sectors for in-depth market studies.

The study identified two sector indicators: high concentration and consistently high price-cost margin. Based on these indicators and considering the sector's importance to the overall economy and impact to consumers, it recommends that priority for in-depth investigation be on sectors involving the manufacture and trade of refined petroleum products, fertilizers and nitrogen compounds, milk-based infants' and dietetic foods, dairy products, and sugar.



# Philippine Development Plan 2017-2022

“In addressing market competition issues, government will prioritize sectors where the largest impact on consumer welfare and market efficiency is expected...”

Research outputs will inform legislation and policymaking, and support advocacy initiatives to make consumers, firms, and government agencies better understand the importance of market competition.”

-Chapter 16,  
Philippine Development Plan 2017-2022

# FOSTERING A CULTURE OF COMPETITION

The PCC's long-term mission of building a culture of competition in the country is critical to the successful implementation of the PCA. In these early years of its existence, the Commission has geared its advocacy program toward raising awareness and understanding of the competition law and policy among various stakeholders—from government to the private sector to civil society and the consuming public.

In 2018, its advocacy focused on mainstreaming the national competition policy at various levels through business dialogues, participation in conferences, and conduct of regional roadshows and campus tours; by expanding the PCC's reach through multimedia campaigns and press engagements; and by building partnerships with key government agencies.

## Mainstreaming national competition law and policy

The PCC completed 35 advocacy and communication activities in 2018. These efforts allowed the PCC to inform the public about the PCA. More importantly, they provided a platform for the Commission to receive feedback from stakeholders and get their perspective on possible competition issues in various industries.

The advocacy activities for external stakeholders include:

- **Dialogues and fora with the business sector.** These highlighted the role businesses play in establishing a culture of competition and compliance in the Philippines. Conducted in April 2018 in Bacolod, Pasig, and Makati, these were attended by business chambers, trade associations, multinational companies, micro, small and medium enterprises (MSMEs), and cooperatives.
- **Regional roadshows on competition law and policy.** These were conducted in Cagayan de Oro City, Tacloban City, and San Fernando, La Union in August 2018 for greater competition awareness at the local level. Each roadshow featured a public exhibit on the PCA, a series of discussions on the salient provisions of the PCA, and a public forum that provided a platform for discourse with the local stakeholders.
- **Campus tours.** Senior high schools, colleges, and universities were visited to introduce competition concepts to students of economics, business, accountancy, and marketing.
- **Seminar series on competition law and policy.** This was conducted throughout the year for law enforcement agencies, sector regulators, and government-owned and controlled corporations.



“

Early on, the PCC recognized that its unilateral pursuit of pro-competitive reforms will yield very little by way of achieving desired results. Being a new competition authority in a largely oligopolistic economy, it recognized that effective coordination and advocacy is key to mainstreaming a culture of competition.

- Chairman Arsenio M. Balisacan, PhD

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### Regional Roadshows on Competition Law and Policy

In its continuing effort to mainstream competition policy, the PCC conducted a series of regional roadshows in August 2018, aimed at raising awareness of competition at the local level.



### Dialogues and Fora with the Business Sector

The PCC continues to conduct dialogues and fora across the country to strengthen its engagement with members of the business community, highlighting the role businesses play in establishing a culture of competition and compliance in the country.

### Seminar Series

The PCC also conducted a seminar series on competition law and policy, pushing for competition law awareness in the public sector.





## PCC at the 56<sup>th</sup> PES Meeting and the 43<sup>rd</sup> FAEA Annual Conference

Recognizing the need to push for greater competition awareness among the academe, policymakers, and the research community, the PCC has been actively engaged in economic conferences, such as the Philippine Economic Society (PES) Annual Meetings.

In 2018, in addition to participating in the 56<sup>th</sup> PES Meeting, the Commission also actively participated in the 43<sup>rd</sup> Federation of ASEAN Economic Associations (FAEA) Annual Conference. PCC Chairman Arsenio M. Balisacan served as one of the speakers in the plenary session on technology and inclusion in Asia. The other speakers in this session were Dr. Yasuyuki Sawada of the Asian Development Bank, Mr. Jaime Zobel de Ayala of Ayala Corporation, Prof. Euston Quah of the Economic Society of Singapore, and Dr. Erika Legara of the Asian Institute of Management.

The PCC also organized a conference session on big data, disruptive technology, and competition. PCC Commissioner Johannes Bernabe served as one of the panel speakers, joining Dr. Derek Ritzmann of Economic Partners, LLC. based in Hong Kong and Ms. Winnie Ching of the Competition and Consumer Commission of Singapore. The session, moderated by PCC Commissioner Stella Luz Quimbo, highlighted the role of an effective competition policy in facilitating economic growth as it drives businesses to operate efficiently, increase productivity, and innovate to bring new products and services to the market. It also underscored how rapid technological innovation in recent years has enabled the emergence of new business models, changing the market landscape and the way firms compete.

### Campus Tours

PCC campus tours aim to raise awareness and spark interest in competition issues among students. In line with the celebration of the Economics and Financial Literacy Week in 2018, the PCC visited Rizal High School in Pasig City and conducted various activities for senior high school students, highlighting the benefits of competition and the Philippine Competition Act.



## PCC inaugurates the Manila Forum on Competition in Developing Countries

In the past two decades, many jurisdictions have enacted competition laws and established competition authorities. With the rapid technological development and changing global market landscape, however, young competition authorities, particularly those in developing countries, are facing new and more challenges in competition enforcement and advocacy. While often the easy and tempting way to answer particular policy questions is by importing successful policy recommendations, these may prove to be ineffective, especially when adopted without having considered the nuances and peculiarities of a developing-country context.

This gave the PCC the impetus to launch the Manila Forum on Competition in Developing Countries (FCDC) on 1-2 February 2018 in Makati City, in collaboration with its development partners. The FCDC aims to provide a platform for global discourse on the theory and practice of competition law and policy in developing countries.

The inaugural FCDC centered on how new or young competition authorities in Asia-Pacific can address today's challenges. It provided them a platform to integrate into the global discourse on competition and learn from the cross-cutting experiences of developed and developing jurisdictions.

This two-day forum was attended by hundreds of competition law and economics experts and key stakeholders in government, the business community, academe, and multilateral development institutions from Australia, Botswana, Cambodia, European Union, France, Germany, Hong Kong, Indonesia, Japan, Korea, Laos, Malaysia, Myanmar, Singapore, Thailand, United States, Vietnam, Zambia, and Zimbabwe.

## PCC hosts ASEAN heads of competition agencies meeting

As a pre-forum activity of the 2018 Manila Forum on Competition in Developing Countries, the PCC hosted the heads and representatives of ASEAN competition authorities in an informal meeting that discussed the region's work toward achieving the ASEAN 2025 agenda on competition. The meeting was organized in collaboration with the ASEAN Secretariat and the German Society for International Cooperation (GIZ).

Among the matters discussed were the ASEAN Experts Group on Competition (AEGC) initiatives on the ASEAN Regional Cooperation Framework (ARCF) and the ASEAN Research Centre for Competition (ARCC), a project that the Philippines leads.

The ARCF is a nonbinding cooperation framework that sets out general objectives and principles to guide ASEAN member-states in developing the ASEAN Regional Cooperation Agreement (ARCA) by 2020. On the other hand, the establishment of ARCC, which is envisioned to be a platform for knowledge sharing among academia and practitioners, will complement the ARCF by promoting better understanding and awareness of competition in the region.

The meeting also talked about the progress and impact of regional and international cooperation programs and ASEAN's role in international competition events.





## OECD Global Forum: Achieving a fairer society through competition

The OECD Global Forum on Competition (GFC) brings together high-level competition officials from over 100 authorities and organizations worldwide to debate a wide range of key and emerging competition issues, including the link between competition policy and other cornerstones of economic development. Debates at the 17<sup>th</sup> GFC, held on 29-30 November 2018, focused on competition and fairer societies, gender, regional competition agreements, investigative powers, and state-owned enterprises.

The first plenary session “How can competition contribute to fairer societies?” explored the concept of fairness, whether and how it relates to competition, and what it means in practical terms to competition enforcers. PCC Chairman Arsenio M. Balisacan, in his presentation on *Fairness, Inequality, and Competition Policy in Developing Asia*, illustrated some conceptual and institutional issues in operationalizing competition policy as an instrument for achieving a fairer society in a developing Asia context, with the Philippines as an exploratory case.

He emphasized that competition policy and its effectiveness cannot be discussed in a vacuum, but must be properly situated in a specific space and time, including the country’s initial conditions. In the case of the Philippines, the mutually reinforcing effects of policy distortions, market power, and rent-seeking activities have perpetuated market inefficiencies, pushing consumer welfare down and the economy below its potential.

Competition policy in the country, as gleaned from congressional records and the literature on Philippine development, has roots in the historical struggle for economic and social reforms intended to achieve inclusive development. As such, competition policy is seen as part and parcel of the country’s development strategy to achieve economic development and promote a fairer distribution of opportunities, income, and wealth. While this seems to suggest that competition policy has many goals or that competition enforcement has other considerations apart from market efficiency or consumer welfare, Chairman Balisacan argues that, from a second-best perspective where the economy, to begin with, is saddled with policy distortions and market inefficiencies, the pursuit of consumer welfare standard in competition policy enforcement promotes a fairer social outcome while improving market efficiency.

Photo courtesy of OECD

## Building partnerships with key government agencies

As a new competition authority and government agency, the PCC faces the challenge of championing competition policy in an environment where awareness of the role of a competition agency is limited, even within the different branches of government.

To address this constraint, the PCC has embarked on an advocacy mission to build partnerships and linkages with various government agencies. These partnerships are aimed at having policy coherence, streamlining procedures, sharing information and technical expertise, and developing investigation and enforcement support.

In 2018, the PCC signed Memoranda of Agreement (MOA) with the following agencies:



**Insurance Commission (IC)**  
26 January 2018

IC and the PCC agreed to promulgate specific rules on the review of mergers and acquisitions of insurance companies, pre-need companies, and health maintenance organizations that are under financial distress. They also agreed on other modes of coordination and cooperation, such as notification of competition-related concerns involving IC-regulated entities and access and sharing of information and documents.



**Department of Justice (DOJ)**  
08 June 2018

The MOA between DOJ and PCC paves the way for a harmonized referral system of complaints and preliminary investigation of competition law offenses. It provides the framework for coordination between both agencies in implementing their respective programs on leniency and witness protection in the enforcement of competition cases.



**Office of the Ombudsman (OMB)**  
08 June 2018

In engaging the OMB, the PCC's enforcement may converge with anti-corruption efforts as regards cases punishable under Section 14 of the PCA, particularly bid rigging in public procurement. OMB and PCC agreed to notify each other regarding any complaints received or known by either agency involving violation of competition and anti-graft laws. The MOA also covers other avenues of cooperation, such as setting up joint task forces, capacity building programs, and access to relevant information.



**Public-Private Partnership Center (PPPC)**  
20 July 2018

PPPC and PCC agreed to formulate guidelines for the facilitation and review of public-private partnership (PPP) projects. PPPC shall consult PCC regarding any actual, potential, or emerging competition concerns relating to existing or potential bidders involved in PPP projects. They also agreed on other modes of coordination and cooperation, such as consultation of competition enforcement matters, organization of joint task forces, and information sharing.



**Integrated Bar of the Philippines (IBP)**  
3 October 2018

IBP and PCC agreed to undertake cooperative activities, such as joint seminars, conferences and research projects, to foster legal education and research on competition law and policy.

## Working with the judiciary and law schools

One of the branches of government the PCC has been actively working with is the judiciary. Recognizing the judiciary's fundamental role in interpreting and implementing the PCA, the Commission held various seminars and discussions with justices, judges, and court attorneys.



To further mainstream competition law in the Philippine legal education system, the Commission initiated a workshop titled *Call for Collaboration: Developing a Syllabus for a Course on Competition Law*. Started in March 2018, this three-part workshop solicited inputs for designing a syllabus on competition law. It was organized in partnership with the Philippine Association of Law Schools and with support from the Asian Development Bank.



These advocacy efforts have borne fruit: the Legal Education Board has decided to integrate competition law in the corporation law subject for all law schools. Competition law is also now included as a stand-alone elective in law schools' curricula. These are milestones for the country's legal education landscape and a testament to the strength of PCC's advocacy work.

Moreover, the PCC signed a Memorandum of Agreement in October 2018 with the Integrated Bar of the Philippines, the country's official organization of all lawyers. IBP and PCC agreed to facilitate and implement cooperative activities relevant to competition law and policy, such as joint seminars and research projects.



## Expanding the PCC's reach through multimedia campaign and press engagements

Awareness of competition law and policy has yet to reach a critical mass. As such, the PCC continuously uses various approaches and taps different media platforms to bring its advocacy to a wider audience.

In 2018, the Commission embarked on a multimedia campaign that generated educational content for social media and developed informational videos for cinema and billboard placement.

It also continuously engaged with the press. In addition to press briefings on cases and the quarterly press conferences, it conducted roundtables with reporters, columnists, and media outlets.

The PCC also formalized its partnership with the Philippine Daily Mirror Publishing, Inc. through a Memorandum of Agreement on 26 January 2018. As a result, the PCC publishes "Competition Matters," a bi-weekly column in *Business Mirror*.



By Dr. Arsenio M. Balisacan · May 14, 2018

Last updated on May 16th, 2018 at 9:26 pm.



**Arsenio M. Balisacan**  
**COMPETITION MATTERS**

The proposal of the Commission on the Competition Committee's (Com-Com) to separate its economic referees to create a federal competition body brings to the fore a long-standing debate about the role of competition regimes.

Basic economic theory suggests that competition is crucial to the proper functioning of markets. Inefficient organizations allow more market participants to disengage and, in turn, enable them to set prices independently and utilize efficient resource allocations. This fundamental principle has gained wide acceptance that many national economies have established competition regimes to go after abusive monopolies and cartels.

Despite this economic rationale, the question persists: what should be the ultimate objective of competition regimes? One view holds that these laws aim to promote the welfare of different groups in the economy. This view favors the function of competition agencies in preserving unassailable barriers of trade, thereby achieving efficiency in resource allocation. For economists, the goal is to receive better goods and services at the lowest cost.





on, consumers ang talo.

**PCC's *Guide for Businesses* and *Handbook for the General Public* bag honors during the 16<sup>th</sup> Philippine Quill Awards**

Two publications of the PCC received Awards of Excellence from the Philippine Quill Awards under the Communication Skills Division, Publications category.

The *Handbook for the General Public* explains the importance to consumers of having fair market competition and what happens if there is no competition. The handbook also provides insights into the salient points of the Philippine Competition Act as well as anticompetitive agreements. On the other hand, the *Guide for Businesses* inspires businesses to be PCC's partners in fostering a culture of competition in the country. It contains, among others, discussions on real antitrust cases.

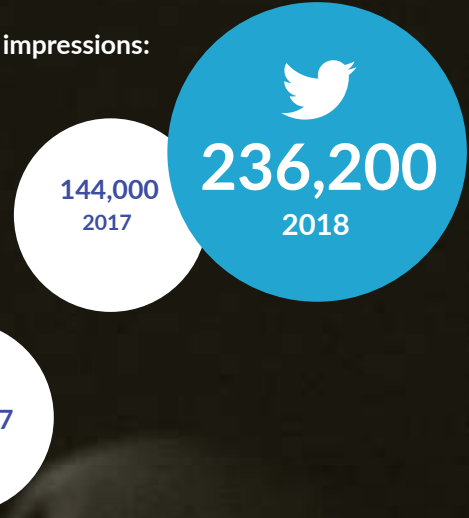
Organized by the International Association of Business Communicators (IABC) Philippines, the Quill Awards is regarded as the country's premier awards program in the field of business communication.



Facebook reach:



Twitter impressions:



# INSTITUTION BUILDING

As a young institution, the PCC has placed emphasis on setting up essential infrastructure and acquiring necessary talents that can effectively carry out its mandate of ensuring a level playing field across Philippine markets and promoting consumer welfare. In its third year of operation, the Commission has become well-equipped to perform its core functions of competition enforcement, merger review, and competition advocacy.

By end of 2018, the PCC has filled up 161 of its 200 available *plantilla* positions, with the addition of 30 job orders to fill existing gaps in personnel requirement. It transferred its offices from Pasig City to a new and bigger home in Quezon City, significantly improving workplace productivity and its capacity to hire additional staff.



## Human Resource Complement

As of 31 December 2018, the PCC has filled up 80.5 percent of its approved *plantilla* positions, up from 72.5 percent the previous year.

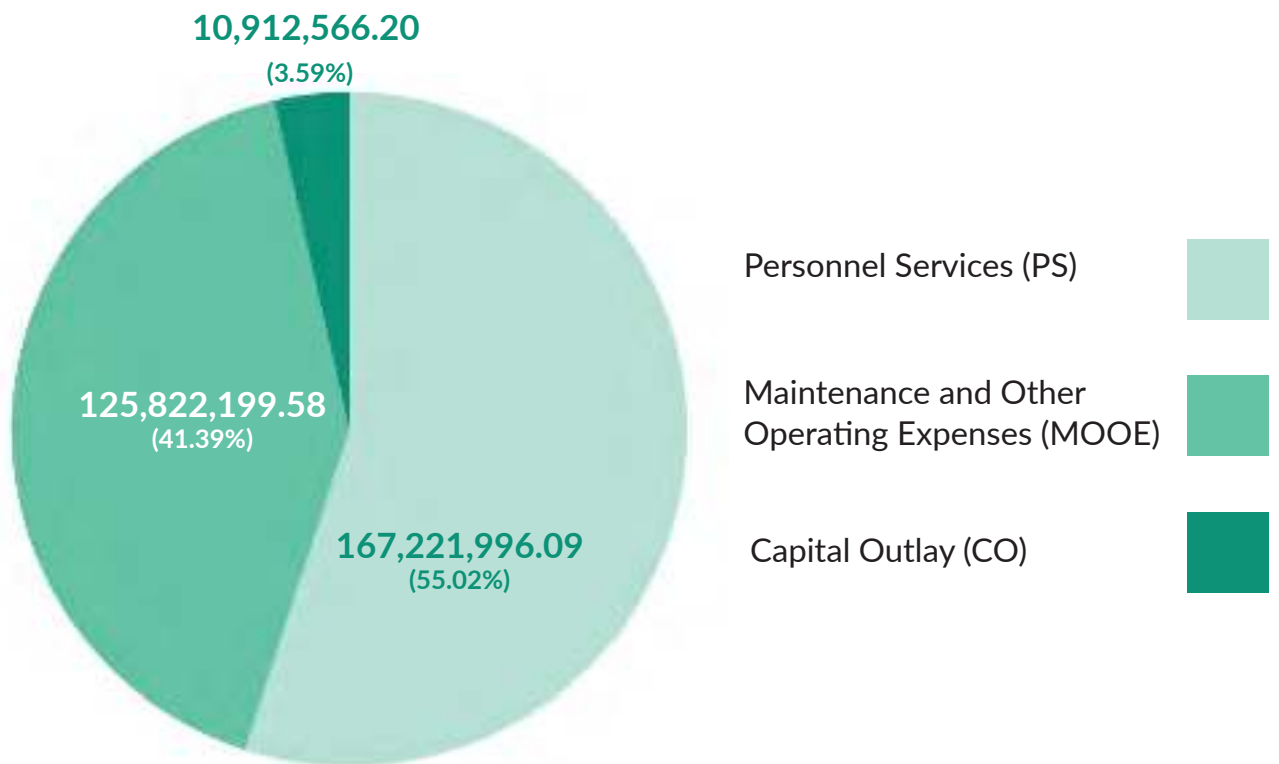
OFFICE	Plantilla Positions		
	Approved	Filled	Vacant
<b>Office of the Chairman and Commissioners</b>	47	38	9
<i>Office of the Chairman</i>	13	11	2
<i>Office of Commissioner Bernabe</i>	5	4	1
<i>Office of Commissioner Quimbo</i>	5	2	3
<i>Office of Commissioner Asuncion</i>	5	5	0
<i>Office of Commissioner De Claro</i>	5	4	1
<i>Legal/Adjudication</i>	14	12	2
<b>Office of the Executive Director</b>	6	6	0
<b>Mergers and Acquisitions Office</b>	26	23	3
<b>Competition Enforcement Office</b>	26	21	5
<b>Economics Office</b>	16	14	2
<b>Communications and Knowledge Management Office</b>	20	15	5
<b>Administrative Office</b>	32	25	7
<b>Finance, Planning, and Management Office</b>	27	19	8
<b>Total</b>	<b>200</b>	<b>161</b>	<b>39</b>



### Budget Utilization

The PCC's total budget allocation for fiscal year 2018 is PHP 441,644,908.00. Maintenance and Other Operating Expenses (MOOE) has the biggest share (58.90%), followed by Personnel Services (PS, 38.37%) and Capital Outlay (CO, 2.73%).

As of 31 December 2018, the PCC has obligated a total amount of PHP 303,956,761.87, broken down as follows:



## Staff Development

PCC employees, with their diverse set of skills, are the Commission's greatest asset. Just like any organization, the PCC is only as strong and as effective as its personnel.

Aside from employing the services of individuals who are highly regarded in their respective fields, the PCC also ensures that its staff are consistently provided with avenues for growth. Development partners and other competition authorities are instrumental to developing PCC's institutional and staff capacity. As a young agency, the Commission taps into these resources to boost its enforcement capabilities, learning from the best practices, rich experiences, and expertise of established competition agencies.

In 2018, PCC staff, especially those actively involved in setting up and improving the Commission's operational processes, benefitted from staff secondments, study visits, staff exchange, and internships



**PCC Staff Secondment at the European Commission Directorate-General for Competition**

October - December 2018



**SAFE WEB Internship at the US Federal Trade Commission**

April - June 2018



**PCC Staff Secondment at the Australian Competition and Consumer Commission**

July - September 2018



in competition authorities in the European Union, the United States, Australia, South Korea, Taiwan, and Indonesia. With support from development partners, several staff members also had opportunities to participate in international short-term training programs.

Further, resident advisors and international experts from the US Federal Trade Commission and the Korea Fair Trade Commission helped capacitate the Commission.



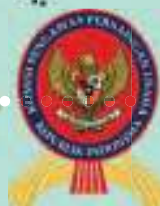
**Internship Program at Korea  
Fair Trade Commission**

April - May 2018;  
November 2018



**Interaction Program  
between the PCC and  
the Taiwan Fair Trade  
Commission**

July 2018



**PCC Staff Secondment at  
Indonesia's Commission for  
the Supervision of Business  
Competition**

June - July 2018



## PCC earns ISO certification for core processes



The PCC attained its first International Organization for Standardization (ISO) 9001:2015 certification for Quality Management System (QMS) in November 2018, just two years after its establishment. The certification, valid until November 2021, recognizes the Commission's commitment to delivering public services at international standards.

The ISO 9001:2015 certification is the latest version of the ISO 9001 standard, which is widely-known and internationally accepted for quality management. It is

considered a seal of recognition for organizations that provide effective customer and regulatory services.

PCC's ISO certification covers the review processes in mergers and acquisitions, competition enforcement, competition policy formulation and research, capacity building, and advocacy.

"The certification is a testament to PCC's strong commitment to consistently execute its mandate toward merger reviews, enforcement cases, and other operations that meet international standards," said



PCC Chairman Arsenio M. Balisacan. "This demonstrates PCC's ability to provide quality and timely regulatory and enforcement requirements."

The Commission is the only ISO-certified public body among national government agencies organized starting in 2016.

As the PCC Quality Policy emphasizes, "the Commission shall continually commit to fulfill our mandate as a quasi-judicial agency, achieve our mission to prohibit anticompetitive practices, attain our vision of becoming a world-class competition authority, and

improve our systems and processes to ensure the highest level of satisfaction of all our stakeholders."



# CAPACITY-BUILDING ACTIVITIES, CONFERENCES, AND MEETINGS ATTENDED BY PCC

## Secondments

- Secondment at the Australian Competition and Consumer Commission and study opportunity in University of Melbourne
- Secondment at the Commission for the Supervision of Business Competition of Indonesia

## Internships/Visitor Programs

- Korea Fair Trade Commission 2018 Fellowship Program
- Interaction Program between the PCC and the Taiwan Fair Trade Commission
- European Union Visitor Programme at the European Commission Directorate-General for Competition
- Internship at the US Federal Trade Commission

## Courses

- Global Antitrust Institute (GAI) Economics Institute for Competition Enforcement Officials
- CRESSE 2018 Lawyers' Course on the Role of Economics in Competition Law and Practice
- Japan-ASEAN Integration Fund (JAIF) Training Course on the Economics of Competition Law Enforcement
- EU Competition Summer School for ASEAN Countries, College of Europe
- GAI Economics Institute on the Digital Economy for Competition Enforcement Officials

## Workshops/Seminars

- JAIF Subregional Workshop on Selection and Prioritization of Sectors or Industries for Market Studies
- JAIF Subregional Workshop on Developing the Capacity to Negotiate Competition Policy Provisions in Free Trade Agreements (FTAs)
- JAIF Subregional Workshop on Big Data and Competition Law
- APEC FTAAP Capacity Building Workshop on Competition Chapters in FTAs/EPAs
- AANZFTA Competition Law Implementation Program (CLIP) Investigations Masterclass Workshop
- AANZFTA CLIP Telecommunications and Competition Regulation Workshop

- International Competition Network (ICN) - Organisation for Economic Co-operation and Development Korea Policy Center (OECD-KPC) Competition Economics Workshop
- AANZFTA CLIP Understanding Markets Workshop
- APEC Workshop on Merger Control Regimes
- OECD-KPC Competition Law Workshop on Competition Rules in the Energy Sector
- Japan International Cooperation Agency (JICA) Knowledge Co-Creation Program on Competition Law and Policy - Laying the Foundation for Investment Promotion
- OECD-KPC Competition Law Workshop on Market Definitions
- Fordham Competition Law Institute's Annual Heads of Authority Workshop and 45th Annual Conference on International Antitrust Law and Policy
- 2018 Seoul International Seminar on Economic Analysis of Competition Policy
- Taiwan Fair Trade Commission's Regional Antitrust Seminar on E-Commerce and Competition
- ICN Cartel Workshop 2018
- ICN Merger Workshop 2018
- AANZFTA CLIP Construction and Competition Regulation Workshop
- AANZFTA CLIP Module Four Workshop: Investigating Abuse of Dominance
- AANZFTA CLIP Phasing Enforcement Workshop



### Conferences and Meetings

- 2018 ICN Annual Conference
- American Bar Association (ABA) Section of Antitrust Law 2018 Spring Meeting
- Concurrences Review Antitrust in Asia: ASEAN, China, Hong Kong, India
- 2018 ABA Antitrust in (AEGC) Asia Conference
- KNect Competition Law Asia 2018 Conference
- ASEAN Law Conference
- AANZFTA CLIP Heads of Agency Roundtable, 14th East Asia Top level Officials' Meeting on Competition Policy, and 11th East Asia Conference on Competition Law and Policy
- 10th Seoul International Competition Forum
- Hong Kong Competition Exchange 2018
- OECD 17th Global Forum on Competition, 2nd Meeting of High-Level Representatives of Asia-Pacific Competition Authorities
- Global Competition Review - 7th Annual Asia-Pacific Law Leaders Forum
- Consultation with the Administrative Council for Economic Defense of Brazil
- 21st Meeting of the ASEAN Experts Group on Competition and Related Meetings
- 16th East Asian Economic Association International Convention
- 22nd Meeting of the AEGC and Related Meetings, ICN Agency Effectiveness Working Group ASEAN Competition Officials Workshop on Business Compliance with Competition Law
- 8th Philippines-Japan Economic Partnership Agreement Joint Committee and Subcommittee Meetings



### Workshops/Seminars

- Workshop on Drafting Documents in Abuse of Dominance Cases
- Workshop on Competition and Public Procurement
- Seminar on Effective Investigation Techniques
- Financial Modeling Workshop
- Call for Collaboration: Developing a Syllabus for a Course on Competition Law
- Media Training Seminar for the Competition Enforcement Office
- Legal Evidence and Essentials of Money Laundering
- AANZFTA CLIP Module Two Workshop: Evidence & Interviewing Skills
- Merger Review Workshop with Public-Private Partnership (PPP) Center
- Seminar Workshop on Basic Investigative and Intelligence Gathering Techniques

### Courses

- Module 1: Basic Training in Competition and Orientation on the PCA
- Module 2: Cartel Investigations
- 13<sup>th</sup> Foundation Course of the Paralegal Training Program of the University of the Philippines (UP) Law Center

### Conferences and Meetings

- Manila Forum on Competition in Developing Countries (FCDC) and Related Activities
- Competition Policy for Regional Development: A Dialogue with the Business Sector in Bacolod City
- Roundtable Discussion with Law Enforcement Agencies
- Roundtable Discussion with Reporters and Columnists
- Public Forums for MSMEs and MNCs

### Roadshows

- Regional Roadshow on Competition Law and Policy (Cagayan de Oro, Leyte, and La Union)
- Davao Roadshow on Merger Review
- Davao Campus Tour on Competition Law and Policy

## Advocacy Activities Organized by PCC

TITLE	DATE
PCC Outlook Press Briefing	17 Jan 2018
Competition Law and Policy Seminar for Law and Economics Faculty and Researchers	31 Jan 2018
Roundtable Discussion with the Philippine Judiciary	31 Jan 2018
Informal meeting of ASEAN Heads of Competition Agencies Meeting	31 Jan 2018
2018 Manila Forum on Competition in Developing Countries	1-2 Feb 2018
1 <sup>st</sup> Quarter Press Conference	1 Feb 2018
Roundtable Discussion with Reporters and Columnists	7 Mar 2018
Training the Trainers (Module 1)	15-16 Mar 2018
Seminar on Competition for Law Enforcement Agencies	26 Mar 2018
Grab-Uber Case Press Briefing	3 Apr 2018
Grab-Uber Case Hearing	5 April 2018
Dialogue with Business Associations	25 Apr 2018
Business Forum for Micro, Small, and Medium Enterprises	26 Apr 2018
Business Forum for Multi-National Companies	27 Apr 2018
National Academy of Science and Technology (NAST) Regional Meeting/Press Briefing	9 May 2018
Training the Trainers (Module 2)	17-18 May 2018
BusinessWorld Roundtable Discussion	1 Jun 2018
Training the Trainers (Module 3)	7-8 Jun 2018
Regional Roadshow on Competition Law and Policy – Cagayan de Oro	9 Aug 2018
3 <sup>rd</sup> Quarter Press Conference	10 Aug 2018
Regional Roadshow on Competition Law and Policy – Tacloban City	16 Aug 2018
Regional Roadshow on Competition Law and Policy – San Fernando City, La Union	30 Aug 2018
Roundtable Discussion - Policy and Regulatory Reports (PaRR)	19 Sep 2018
Campus Tour – National Economics Summit	12-13 Oct 2018
Grab-Uber Case Press Briefing	17 Oct 2018
Campus Tour – University of Southeastern Philippines	23 Oct 2018
Campus Tour – University of the Philippines Los Baños	29 Oct 2018
56 <sup>th</sup> Philippine Economic Society (PES) Annual Meeting and 43 <sup>rd</sup> Federation of ASEAN Economic Associations (FAEA) Annual Conference	8-10 Nov 2018
Multisectoral Seminar-Workshop on Philippine Competition Act and Its IRR	13-14 Nov 2018
Campus Tour – Rizal High School (Economic and Financial Literacy Week)	14 Nov 2018
Campus Tour – University of Santo Tomas	16 Nov 2018
Competition Law and Policy Seminar Series: Competition Economics on the Digital Economy	22-23 Nov 2018
Seminar on Competition Law and Policy for Sector Regulators	5 Dec 2018
Seminar on Competition Law and Policy for Government-Owned and –Controlled Corporations	6 Dec 2018

# LOOKING AHEAD

In under three years, the Commission has worked tirelessly to quickly set up the necessary architecture for an effective competition policy focused on promoting consumer welfare. Over time, the PCC has gained experience and built competencies in its core functions of competition enforcement, merger review, and competition advocacy.

The PCC believes that improvements in consumer welfare lead to a fairer distribution of opportunities and incomes. As it continues to move forward, the PCC reaffirms its commitment to the Commission's vision of becoming a world-class competition authority. It will continue to aim for the frontier, employing best practices and meeting the standards set by model jurisdictions.

Below are some of PCC's plans for 2019.

## MERGERS AND ACQUISITIONS

The PCC will adopt a more simplified notification process to further expedite the review of nonproblematic merger cases. It shall continue efforts to proactively monitor non-notified transactions and evaluate the merging parties' compliance with their voluntary undertakings.

## ENFORCEMENT

The PCC will be rolling out its Leniency Program in early 2019. This program is expected to significantly improve the Commission's ability to detect cartels and increase the number of cartel investigations in the coming years. To use its enforcement resources more efficiently, the Commission will be issuing the Rules on Forbearance, which will allow an entity or group of entities to be exempted from certain provisions of the PCA under very specific circumstances and stringent conditions. Finally, to add to its armory of investigative tools, the PCC shall endorse to the Supreme Court its proposed Rules on Inspection Orders or dawn raids. These three tools—Leniency Program, Rules on Forbearance, and Rules on Inspection Orders—are critical components expected to strengthen and complete PCC's enforcement framework.

With the Office of the Ombudsman and the Commission on Audit as key partners, the Commission will adopt a tripartite action plan and formally constitute a joint task force to investigate bid rigging in public procurement. As the government ramps up its Build, Build, Build program, ensuring a clean selection process in public procurement is key to extracting the best value for taxpayers' money.





## POLICY RESEARCH

Based on the results of the market scoping study of the manufacturing sector, the PCC identified industries to add to its priority sectors for competition analysis and enforcement in 2019. These include logistics supply chain, corn milling and trading, refined petroleum manufacturing and trading, sugar, and pesticides.

Once the ongoing issues papers and studies are completed by early 2019, the Commission intends to transition to specific enforcement and advocacy work. Issues papers are only the beginning of PCC's work in a market, providing the Commission with essential knowledge, putting industries on notice, and providing a framework for future enforcement and advocacy actions.

The PCC also intends to implement a multi-year work plan to review laws, bills, and regulations that hamper competition. As the nation's competition champion, the Commission shall be more proactive in its engagement with Congress and sector regulators by reviewing existing laws and regulations that restrict competition in various markets. It hopes to organize a quick-response mechanism, tapping competition and sectoral experts in the provision of targeted, timely, and informed comments on legislative proposals and executive issuances.

## ADVOCACY

One continuing challenge has been the general population's low level of awareness of the PCC and the PCA, as well as the limited understanding of the principles of healthy market competition among businesses, consumers, and even many government agencies.

This significantly constrains the Commission's operations, as limited awareness and understanding potentially lead to the proliferation of anticompetitive conduct, noncompliance with the Commission's rules, and misinformed adoption of policies and regulations with anticompetitive features.

Thus, there is a need for a more targeted competition advocacy among the Commission's stakeholders. Keeping in mind that advocacy is a cost-effective way of pre-empting anticompetitive conduct, the Commission is committed to its objective of mainstreaming a culture of competition, not just among consumers and businesses but among the members of Congress, sector regulators, and the judiciary as well.

# FINANCIAL STATEMENTS

## PHILIPPINE COMPETITION COMMISSION DETAILED STATEMENT OF FINANCIAL POSITION

Fund 01  
(In Philippine Peso)  
As of December 31, 2018

	2017 As Restated	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	<b>3,372,428.74</b>	<b>2,083,392.54</b>
Cash on Hand	68,534.35	181,238.09
Cash - Collecting Officers	-	0.00
Petty Cash	68,534.35	181,238.09
Cash in Bank - Local Currency	<b>3,083,894.39</b>	<b>0.00</b>
Cash in Bank - Local Currency, Current Account	292,708.35	0.00
Cash in Bank - Local Currency, Savings Account	2,791,186.04	0.00
Treasury/Agency Cash Accounts	<b>220,000.00</b>	<b>1,902,154.45</b>
Cash - Treasury/Agency Deposit, Regular	-	-
Cash - Treasury/Agency Deposit, Trust	220,000.00	1,902,154.45
Cash - Modified Disbursement System (MDS), Regular	-	0.00
Cash - Modified Disbursement System (MDS), Special Account	-	-
Cash - Modified Disbursement System (MDS), Trust	-	0.00
Cash - Tax Remittance Advice	-	-
Receivables	<b>9,062,518.05</b>	<b>6,768,945.81</b>
Loans and Receivable Accounts	-	-
Accounts Receivable	-	-
Inter-Agency Receivables	<b>8,577,015.21</b>	<b>6,680,941.14</b>
Due from National Government Agencies	5,172,024.13	3,275,950.06
Due from Government-Owned and/or Controlled Corporations	3,404,991.08	3,404,991.08
Other Receivables	<b>485,502.84</b>	<b>88,004.67</b>
Due from Officers and Employees	259,461.59	19,147.92
Other Receivables	226,041.25	68,856.75
Inventories	<b>283,950.31</b>	<b>366,977.22</b>
Inventory Held for Consumption	<b>283,950.31</b>	<b>336,216.76</b>
Merchandise Inventory	-	-
Office Supplies Inventory	282,459.99	336,216.76
Other Supplies and Materials Inventory	1,490.32	-
Semi-Expendable Machinery	-	<b>30,760.46</b>
Semi-Expendable Other Machinery and Equipment	-	30,760.46
Other Current Assets	<b>23,470,846.04</b>	<b>17,724,144.08</b>
Advances	<b>3,826,938.65</b>	<b>1,999,161.68</b>
Advances for Operating Expenses	2,000.00	-
Advances for Payroll	-	0.00
Advances to Special Disbursing Officer	-	38,755.45
Advances to Officers and Employees	1,067,103.20	1,960,406.23
Advances to Contractors	2,757,835.45	0.00
Prepayments	<b>10,469,264.99</b>	<b>6,750,340.00</b>
Prepaid Rent	9,696,982.40	6,741,840.00
Other Prepayments	772,282.59	8,500.00
Deposits	<b>9,174,642.40</b>	<b>8,974,642.40</b>
Guaranty Deposits	9,174,642.40	8,974,642.40
<b>Total Current Assets</b>	<b>36,189,743.14</b>	<b>26,943,459.65</b>
<b>NON-CURRENT ASSETS</b>		
Property, Plant and Equipment	<b>31,431,674.66</b>	<b>114,271,095.05</b>
Machinery and Equipment	<b>15,020,699.04</b>	<b>36,223,551.95</b>
Machinery	71,980.00	71,980.00
Accumulated Depreciation - Machinery	-	28,792.00
<i>Net Value</i>	64,782.00	43,188.00
Office Equipment	210,337.53	3,805,412.53
Accumulated Depreciation - Office Equipment	-	115,341.63
<i>Net Value</i>	189,778.68	3,690,070.90
Information and Communication Technology Equipment	16,795,064.36	38,471,397.88

Accumulated Depreciation - Information and Communication Technology Equip	-	2,046,863.50	-	5,988,792.33
<i>Net Value</i>		<u>14,748,200.86</u>		<u>32,482,605.55</u>
Communication Equipment		34,166.67		34,166.67
Accumulated Depreciation - Communication Equipment	-	16,229.17	-	26,479.17
<i>Net Value</i>		<u>17,937.50</u>		<u>7,687.50</u>
Transportation Equipment		<b>15,653,843.61</b>		<b>13,432,926.53</b>
Motor Vehicles		16,696,822.50		16,696,822.50
Accumulated Depreciation - Motor Vehicles	-	1,042,978.89	-	3,263,895.97
<i>Net Value</i>		<u>15,653,843.61</u>		<u>13,432,926.53</u>
Furniture, Fixtures and Books		<b>757,132.01</b>		<b>3,369,688.10</b>
Furniture and Fixtures		805,307.00		3,552,557.00
Accumulated Depreciation - Furniture and Fixtures	-	116,012.44	-	393,321.00
<i>Net Value</i>		<u>689,294.56</u>		<u>3,159,236.00</u>
Books		74,170.00		437,675.00
Accumulated Depreciation - Books	-	6,332.55	-	227,222.90
<i>Net Value</i>		<u>67,837.45</u>		<u>210,452.10</u>
Leased Assets - Improvements		-		<b>61,244,928.47</b>
Leased Assets Improvements, Buildings				64,854,419.03
Accumulated Depreciation - Leased Assets Improvements, Buildings			-	3,609,490.56
<i>Net Value</i>		<u>-</u>		<u>61,244,928.47</u>
Other Leased Assets Improvements				-
Accumulated Depreciation - Other Leased Assets Improvements				-
<i>Net Value</i>		<u>-</u>		<u>-</u>
Construction in Progress				-
Construction in Progress - Leased Assets Improvements				-
<b>Intangible Assets</b>		<b>1,395,175.09</b>		<b>2,083,847.85</b>
Intangible Assets		<b>1,395,175.09</b>		<b>2,083,847.85</b>
Computer Software		1,027,572.59		4,921,088.20
Accumulated Amortization - Computer Software	-	80,530.00	-	3,534,335.35
<i>Net Value</i>		<u>947,042.59</u>		<u>1,386,752.85</u>
Development in Progress - Computer Software		448,132.50		697,095.00
<b>Total Non-Current Assets</b>		<b>32,826,849.75</b>		<b>116,354,942.90</b>
<b>Total Assets</b>		<b>69,016,592.89</b>		<b>143,298,402.55</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Financial Liabilities		<b>801,312.49</b>		<b>2,789,235.79</b>
Payables		<b>801,312.49</b>		<b>2,789,235.79</b>
Accounts Payable		424,995.68		2,064,384.26
Due to Officers and Employees		375,340.52		612,114.13
Tax Refund Payable		976.29		112,737.40
Inter-Agency Payables		<b>321,433.35</b>		<b>11,712.62</b>
Inter-Agency Payables		<b>321,433.35</b>		<b>11,712.62</b>
Due to BIR				-
Due to GSIS				2,021.64
Due to Pag-IBIG		600.00		0.00
Due to PhilHealth				0.00
Due to NGAs		-		-
Due to GOCCs		320,833.35		9,690.98
Trust Liabilities		<b>3,109,309.54</b>		<b>9,101,954.64</b>
Trust Liabilities		<b>3,109,309.54</b>		<b>9,101,954.64</b>
Trust Liabilities		2,900,899.20		123,200.00
Guaranty/Security Deposits Payable		208,410.34		8,978,754.64
Other Payables		<b>9,415.50</b>		<b>0.00</b>
<b>Total Current Liabilities</b>		<b>4,241,470.88</b>		<b>11,902,903.05</b>
<b>Total Liabilities</b>		<b>4,241,470.88</b>		<b>11,902,903.05</b>
<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>64,775,122.01</b>		<b>131,395,499.50</b>
<b>NET ASSETS / EQUITY</b>				
Government Equity		<b>64,775,122.01</b>		<b>131,395,499.50</b>
Government Equity		<b>64,775,122.01</b>		<b>131,395,499.50</b>
Accumulated Surplus/(Deficit)		64,775,122.01		131,395,499.50
<b>TOTAL NET ASSETS / EQUITY</b>		<b>64,775,122.01</b>		<b>131,395,499.50</b>

**PHILIPPINE COMPETITION COMMISSION**  
**DETAILED STATEMENT OF FINANCIAL PERFORMANCE**

Fund 01

(In Philippine Peso)

For the Year Ended December 31, 2018

	<u>2017</u>	<u>2018</u>
	<u>As Restated</u>	
<b>REVENUE</b>		
<b>Service and Business Income</b>	<b>17,086,229.43</b>	<b>43,721,816.71</b>
Processing Fees	17,081,194.75	11,881,200.00
Fines and Penalties - Service Income	2,694.68	31,744,264.98
Other Service Income	2,340.00	3,100.00
Interest Income		504.45
Miscellaneous Income		92,747.28
<b>Total Revenue</b>	<b>17,086,229.43</b>	<b>43,721,816.71</b>
<b>EXPENSES</b>		
<b>Current Operating Expenses</b>		
<b>Personnel Services</b>		
<b>Salaries and Wages</b>	<b>100,469,649.15</b>	<b>114,261,071.28</b>
Salaries and Wages - Regular	100,469,649.15	114,261,071.28
<b>Other Compensation</b>	<b>18,822,802.01</b>	<b>34,079,480.64</b>
Personal Economic Relief Allowance (PERA)	3,113,078.51	3,669,295.31
Representation Allowance (RA)	2,322,375.00	2,301,500.00
Transportation Allowance (TA)	1,864,738.64	1,272,500.00
Clothing/Uniform Allowance	640,000.00	906,000.00
Honoraria	0.00	84,500.00
Overtime and Night Pay	595,207.46	780,670.74
Year End Bonus	8,953,652.40	9,656,342.55
Cash Gift	670,750.00	782,250.00
Other Bonuses and Allowances	663,000.00	14,626,422.04
<b>Personnel Benefit Contributions</b>	<b>12,890,699.74</b>	<b>14,976,402.82</b>
Retirement and Life Insurance Premiums	12,080,749.74	13,714,225.38
Pag-IBIG Contributions	151,200.00	185,900.00
PhilHealth Contributions	506,250.00	890,177.44
Employees Compensation Insurance Premiums (ECIP)	152,500.00	186,100.00
<b>Other Personnel Benefits</b>	<b>3,625,165.58</b>	<b>3,352,377.57</b>
Terminal Leave Benefits	3,625,165.58	3,337,377.57
Other Personnel Benefits	0.00	15,000.00
<b>Total Personnel Services</b>	<b>135,808,316.48</b>	<b>166,669,332.31</b>
<b>Maintenance and Other Operating Expenses</b>		
<b>Traveling Expenses</b>	<b>12,331,168.74</b>	<b>8,413,618.36</b>
Traveling Expenses - Local	2,521,572.20	2,742,026.53
Traveling Expenses - Foreign	9,809,596.54	5,671,591.83
<b>Training and Scholarship Expenses</b>	<b>4,495,020.49</b>	<b>7,999,959.30</b>
Training Expenses	4,495,020.49	7,999,959.30
<b>Supplies and Materials Expenses</b>	<b>3,709,662.68</b>	<b>7,103,977.60</b>
Office Supplies Expenses	2,099,190.37	3,386,956.09
Accountable Forms Expenses	0.00	8,500.00
Medical, Dental and Laboratory Supplies Expenses	1,754.85	5,999.00
Fuel, Oil and Lubricants Expenses	391,464.76	1,263,223.15
Semi-Expendable Machinery and Equipment Expenses	131,900.00	0.00
Other Supplies and Materials Expenses	1,085,352.70	2,439,299.36
<b>Utility Expenses</b>	<b>717,345.62</b>	<b>2,064,110.09</b>
Water Expenses	8,018.00	86,919.49
Electricity Expenses	709,327.62	1,977,190.60
<b>Communication Expenses</b>	<b>1,637,900.77</b>	<b>3,586,379.43</b>
Postage and Courier Services	87,597.58	144,041.12
Telephone Expenses	902,303.19	2,294,838.31
Internet Subscription Expenses	648,000.00	1,147,500.00
<b>Awards/Rewards and Prizes</b>	<b>45,000.00</b>	<b>0.00</b>
Awards/Rewards Expenses	45,000.00	0.00

<b>Survey, Research, Exploration and Development Expenses</b>	<b>5,492,287.49</b>	<b>29,839,556.99</b>
Survey Expenses	2,594,500.00	15,008,548.00
Research, Exploration and Development Expenses	2,897,787.49	14,831,008.99
<b>Confidential, Intelligence and Extraordinary Expenses</b>	<b>1,701,000.00</b>	<b>1,538,100.00</b>
Extraordinary and Miscellaneous Expenses	1,701,000.00	1,538,100.00
<b>Professional Services</b>	<b>7,650,305.85</b>	<b>19,193,517.94</b>
Legal Services	1,200.00	2,195,150.00
Consultancy Services	840,000.00	8,801,987.15
Other Professional Services	4,582,147.35	3,860,160.42
Janitorial Services	0.00	1,423,345.15
Security Services	780,292.02	949,163.41
Other General Services	1,446,666.48	1,963,711.81
<b>Repairs and Maintenance</b>	<b>26,022.05</b>	<b>413,091.34</b>
Repairs and Maintenance - Machinery and Equipment	0.00	16,796.26
Repairs and Maintenance - Transportation Equipment	26,022.05	396,295.08
Repairs and Maintenance - Leased Assets Improvements	0.00	0.00
<b>Taxes, Insurance Premiums and Other Fees</b>	<b>106,623.96</b>	<b>708,784.30</b>
Taxes, Duties and Licenses	6,454.46	363,033.06
Fidelity Bond Premiums	100,169.50	345,751.24
<b>Other Maintenance and Operating Expenses</b>	<b>35,845,370.68</b>	<b>60,540,439.52</b>
Insurance Expenses	187,084.95	497,449.61
Advertising Expenses	3,019,974.75	0.00
Printing and Publication Expenses	767,329.10	1,299,010.62
Other Maintenance and Operating Expenses	0.00	0.00
Representation Expenses	8,224,411.03	16,003,153.89
Rent/Lease Expenses	20,213,862.56	39,411,342.30
Membership Dues and Contributions to Organizations	33,400.00	0.00
Subscription Expenses	3,345,339.21	3,112,964.04
Other Maintenance and Operating Expenses	53,969.08	216,519.06
Transportation and Delivery Expenses	0.00	0.00
<b>Total Maintenance and Operating Expenses</b>	<b>73,757,708.33</b>	<b>141,401,534.87</b>
<b>Financial Expenses</b>	<b>0.00</b>	<b>0.00</b>
<b>Financial Expenses</b>		0.00
Management Supervision/Trusteeship Fees	0.00	0.00
Bank Charges	0.00	0.00
<b>Total Financial Expenses</b>	-	-
<b>Non-Cash Expenses</b>		
<b>Depreciation</b>	<b>3,193,465.03</b>	<b>10,397,162.16</b>
Depreciation - Machinery and Equipment	2,038,573.65	4,068,555.61
Depreciation - Transportation Equipment	1,034,046.39	2,220,917.08
Depreciation - Furniture, Fixtures and Books	120,844.99	498,198.91
Depreciation - Leased Assets Improvements	0.00	3,609,490.56
<b>Amortization</b>	<b>80,530.00</b>	<b>3,453,805.35</b>
Amortization - Intangible Assets	80,530.00	3,453,805.35
<b>Total Non-Cash Expenses</b>	<b>3,273,995.03</b>	<b>13,850,967.51</b>
<b>Total Current Operating Expenses</b>	<b>212,840,019.84</b>	<b>321,921,834.69</b>
<b>Surplus (Deficit) from Current Operations</b>	<b>- 195,753,790.41</b>	<b>- 278,200,017.98</b>
<b>Financial Assistance/Subsidy from NGAs, LGUs, GOCCs</b>		
<b>Assistance and Subsidy</b>	<b>282,286,954.23</b>	<b>390,259,730.33</b>
Subsidy from National Government	282,286,954.23	390,259,730.33
<b>SURPLUS (DEFICIT) FOR THE PERIOD</b>	<b>86,533,163.82</b>	<b>112,059,712.35</b>

**PHILIPPINE COMPETITION COMMISSION**  
**STATEMENT OF CASH FLOW**  
For the Year Ended December 31, 2018  
(In Philippine Pesos)  
Fund 01

	2017	2018
<b>Cash Flows From Operating Activities</b>		
<b>Cash Inflows</b>		
Receipt of Notice of Cash Allocation	482,061,423.97	456,483,271.00
Collection of Income/Revenues	17,063,974.24	43,625,969.43
Collection of Receivables	-	201,789.10
Receipt of Inter-Agency Fund Transfers	158,905.25	-
Receipt of Intra-Agency Fund Transfers	-	-
Trust Receipts	2,998,336.30	1,800,954.45
Other Receipts	1,157,411.73	1,334,215.40
Adjustments	77,162.65	141,457.23
<b>Total Cash Inflows</b>	<u>503,517,214.14</u>	<u>503,587,656.61</u>
<b>Cash Outflows</b>		
Replenishment of Negotiated MDS Checks (for BTr)	-	-
Remittance to National Treasury	18,304,602.28	45,439,334.86
Cash Remitted for Withholding Taxes through TRA	28,774,523.35	37,350,545.00
Payment of Expenses	174,560,721.10	279,311,510.81
Purchase of Inventories	505,552.15	-
Grant of Cash Advances	15,430,085.47	13,486,926.37
Prepayments	22,376,135.37	10,525,781.25
Refund of Deposits	-	68,589.86
Remittance of Personnel Benefit Contributions and Mandatory Deductions	3,012,119.05	29,566,958.33
Release of Inter-Agency Fund Transfers	6,503,912.97	3,598,700.57
Release of Intra-Agency Fund Transfers	-	-
Other Disbursements	1,165,819.08	597,438.69
Reversal of Unutilized NCA	199,567,469.74	66,223,540.67
Adjustments	144,055.00	-
<b>Total Cash Outflows</b>	<u>470,344,995.56</u>	<u>486,169,326.41</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>33,172,218.58</u>	<u>17,418,330.20</u>
<b>Cash Flow from Investing Activities</b>		
<b>Cash Inflows</b>		
Proceed from Sale of Investment Property	-	-
Proceed from Sale/Disposal of Property, Plant and Equipment	-	-
Proceed from Sale of Other Assets	-	-
<b>Total Cash Inflows</b>	<u>-</u>	<u>-</u>
<b>Cash Outflows</b>		
Purchase/Construction of Property, Plant and Equipment	29,209,655.31	18,707,366.40
Purchase of Intangible Assets	1,467,161.27	-
<b>Total Cash Outflows</b>	<u>30,676,816.58</u>	<u>18,707,366.40</u>
<b>Net Cash Provided By (Used In) Investing Activities</b>	<u>- 30,676,816.58</u>	<u>- 18,707,366.40</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>2,495,402.00</b>	<b>- 1,289,036.20</b>
<b>Cash and Cash Equivalents, January 1</b>	<u>877,026.74</u>	<u>3,372,428.74</u>
<b>Cash and Cash Equivalents, December</b>	<u>3,372,428.74</u>	<u>2,083,392.54</u>



Republic of the Philippines  
**COMMISSION ON AUDIT**  
National Government Sector  
**Cluster 1 – Executive Offices**  
Commonwealth Avenue, Quezon City

## **INDEPENDENT AUDITOR'S REPORT**

### **The Chairperson**

Philippine Competition Commission  
25/F, Vertis North Corporate Center 1, North Avenue  
Quezon City

### **Opinion**

We have audited the accompanying financial statements of the Philippine Competition Commission (PCC), which comprise the statement of financial position as at December 31, 2018, the statement of financial performance, statement of cash flows, statement of changes in net assets/equity, statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Philippine Competition Commission as at December 31, 2018, and its financial performance, statement of cash flows, statement of changes in net assets/equity, statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies in accordance with the Philippine Public Sector Accounting Standards (PPSAS).

### **Basis for Opinion**

We conducted our audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are described in the Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are independent of the agency in accordance with the Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters

were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **Other Information**

Management is responsible for the other information. The other information obtained at the date of this auditor's report is included in the Annual Report of PCC but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of the financial statements in accordance with the Philippine Public Sector Accounting Standards and for such internal control as management determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the agency's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those



risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit observations, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### COMMISSION ON AUDIT

By:



**NENITA C. RENDON**  
Supervising Auditor  
Audit Group NGS-E-OEO V

February 28, 2019

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