

2017



PHILIPPINE
COMPETITION
COMMISSION

Ensuring businesses compete and consumers benefit

ANNUAL REPORT

*Mainstreaming Competition Policy,
Building Partnerships*

About the Theme

Just a little over two years since the landmark enactment of the Philippine Competition Act (PCA) in 2015, significant headway has been made in mainstreaming competition policy in the Philippines. For the first time in the country's socioeconomic planning history, a dedicated chapter on competition was adopted in the Philippine Development Plan for 2017-2022, which serves as the country's blueprint for development in the medium term. With this game-changing development, the enforcement of competition policy became part and parcel of the country's development strategy for sustained and inclusive growth.

To sustain these positive changes, and in line with Philippine Competition Commission's push toward building a culture of competition in the country, the agency embarked on an advocacy campaign to build linkages with sector regulators and other government agencies. These early successes of PCC's initiatives in mainstreaming competition policy and building partnerships underscore the importance of developing a streamlined approach as well as a mutual understanding of concerns among various agencies.

This year's theme serves as an invitation to the business community, other government regulators and the general public to join us in imagining brave new Philippine markets—those which bear fruit for businesses and consumers alike for the simple reason that they are under a system that is fair and just.





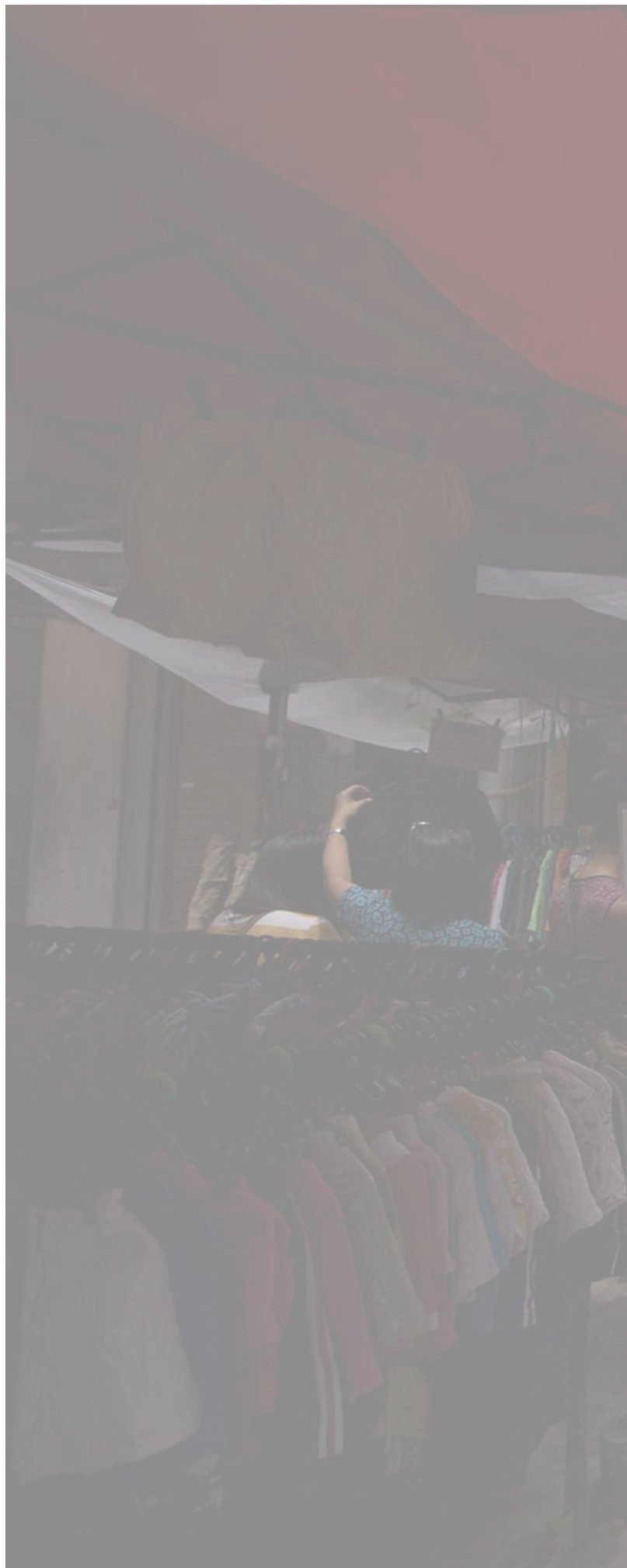
**“COMPETITION MAKES MARKETS
PERFORM BETTER AND PROMOTES
INCLUSIVE ECONOMIC GROWTH.**


**IT INDUCES PRODUCERS TO
REDUCE COSTS, INNOVATE, AND
WIDEN THE RANGE OF GOODS
AND SERVICES AVAILABLE TO
CONSUMERS.”**

Chapter 16, Philippine Development Plan 2017-2022

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**“UNENCUMBERED MARKET
COMPETITION ALSO SERVES THE
INTEREST OF CONSUMERS BY
ALLOWING THEM TO EXERCISE
THEIR RIGHT OF CHOICE OVER
GOODS AND SERVICES OFFERED
IN THE MARKET.”**

Section 2, Philippine Competition Act



**“COMPETITION ESPECIALLY
BENEFITS THE POOR THROUGH JOB
CREATION MADE POSSIBLE BY THE
ENTRY, GROWTH, AND EXPANSION
OF EFFICIENT FIRMS;**

**AND THROUGH LOWER PRICES
THAT RESULT FROM GREATER
VARIETY AND HIGHER QUALITY OF
GOODS AND SERVICES.”**

Chapter 16, Philippine Development Plan 2017-2022

Message from the Chairperson

Mandated to promote and maintain market competition, the Philippine Competition Commission (PCC) has welcomed 2017 as a greater opportunity to enforce the Philippine Competition Act (PCA). With more formalized rules and processes in reviewing mergers and acquisitions and in investigating anti-competitive business practices, the country's antitrust authority has accomplished much despite the infancy of competition policy in the arsenal of government's strategy of building a vibrant and inclusive economy.

As a relatively young government agency in the Philippines and among the last established competition authorities in Southeast Asia, the PCC met promising yet challenging anticipation from members of the business community, the rest of government, and the public at large. That is why we were quick to recognize the long and grueling work ahead: we must build a culture of competition. Without the solid, foundational underpinnings of competition culture in the country, the Commission would remain restricted in the implementation of an enabling law that is truly meaningful for the everyday Filipino. Clearly, there is a call for businesses to take advantage of the novelty of the law and its hopeful intentions.

The PCA itself is generous that it provides a two-year grace period for businesses to restructure operations, renegotiate agreements, and amend practices to ensure full compliance. With the end of the law's two-year transitory period on August 8, 2017, the PCC now can impose hefty penalties and file criminal complaints against errant businesses. To ensure that businesses and other stakeholders are fully informed during the transitory period, advocacy is one of our fundamental tools.

Back in 2016, we set up our systems and initial rules and procedures, then established a two-pronged approach to build a culture of competition in the country. This approach consisted of one, mainstreaming competition and two, building partnerships.

This *2017 Annual Report*, which has as its theme, *Mainstreaming Competition, Building Partnership*, is not simply a rundown of PCC's accomplishments in the past year but a product of our enduring efforts in advancing a meaningful end—that is, creating an enabling market environment where businesses compete, and consumers benefit. What follows are just some of the results of these efforts.

As a product of mainstreaming competition policy in the government, we have successfully introduced a dedicated chapter on competition in the Philippine Development

Plan (PDP) 2017-2022—a first of its kind in the country's socioeconomic planning history. Specifically, the chapter stresses the need to improve consumer welfare and market efficiency by diminishing anti-competitive practices, minimizing barriers to entry, and reducing limits to entrepreneurship. This development would ensure support from government agencies and priority of resource allocation for competition-related initiatives. It is also a testament to how the Philippine government recognizes the need for competition lens in crafting laws, implementing regulations, and administering issuances in the pursuit of inclusive socioeconomic development.

To guide businesses and other stakeholders, PCC released two notable rules in 2017. These are (i) the Rules of Procedure, which governs the Commission's administrative proceedings on enforcement cases; and (ii) the Rules on Merger Procedure, which streamlines the review process for mergers and acquisitions. Both rules are completely operational and are expected to boost PCC's performance in the years ahead.

With regards efforts to build partnerships with other agencies, the PCC was able to sign memoranda of agreement with key government offices and regulators to harmonize policies, enable a higher degree of cooperation, and facilitate sharing of relevant data. We also met with relevant authorities to build a solid campaign against bid-rigging, price fixing, and cartels in government procurement activities and to address competition concerns in various industries. We look forward to more cooperation from both the government and the private sector in the future.

A comprehensive competition law in place and a dedicated agency to implement it are game-changing initiatives amid challenges in the Philippine competition landscape and government regulatory regime. The end of the law's two-year transitory period necessitates adjustments on the part of all stakeholders and intensifies PCC's role in leveling the playing field for the benefit of businesses and consumers.

This *Annual Report*, therefore, is an invitation to the business community, other government regulators, and the general public to join us in imagining brave new Philippine markets—those which bear fruit for business and consumers alike for the simple reason that they are under a system that is fair and just.




ARSENIO M. BALISACAN, PhD



Established on February 1, 2016, the Philippine Competition Commission 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) of 2015, which serves as the primary competition law in the Philippines aiming to promote and protect competitive markets.

PCC institutes a regulatory environment for market competition to:

- Protect consumers by giving them access to a wider choice of goods and services at lower prices;
- 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 anti-competitive agreements, abuses of dominant position, and anti-competitive 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 the broad mandate of having original and primary jurisdiction over the enforcement and implementation of the provisions of the PCA and its Implementing Rules and Regulations (IRR). These mandates include the following:

- Review of mergers and acquisitions
- Investigation and rendering of decisions on 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



Commissioner Stella Luz A. Quimbo

Commissioner Johannes Benjamin R. Bernabe

Chairperson Arsenio M. Balisacan

Commissioner Amabelle C. Asuncion

Commissioner El Cid R. Butuyan

The Commission

Chairperson Arsenio M. Balisacan is an economist with extensive high-level policymaking experience and a well-recognized expert in Asia on economic development, poverty and inequality, and political economy of policy reforms. He was Secretary of Socioeconomic Planning and Director-General of the National Economic and Development Authority and former Dean of the University of the Philippines School of Economics.

Commissioner Amabelle C. Asuncion has extensive experience in both commercial and corporate practice in the private and public sectors, handling different industries, as well as dealing with various regulatory compliance and policy reforms.

Commissioner Johannes Benjamin R. Bernabe served as a Senior Fellow at the Geneva-based International Centre for Trade and Sustainable Development, where he contributed in formulating and analyzing policy reforms for the international trade system.

Commissioner El Cid R. Butuyan* served as the Head of Investigations and Litigation for the World Bank Integrity Vice-Presidency, where he conducted audits, fact-finding investigations, and litigation on cases relating to anticompetitive practices, corruption, collusion, cartel behavior, coercion, and fraud by multinational and local firms.

Commissioner Stella Luz A. Quimbo is an academician who served as a Professor and Department Chair of the University of the Philippines School of Economics, with an extensive research portfolio in the field of health economics, industrial organization, microeconomics, education, poverty, and public policy and regulation.

*Atty. Butuyan resigned from his position as PCC Commissioner on July 25



2017 Accomplishments



Executive Summary

Competition is as much a product of an effective enforcement of competition law as it is an outcome of strong advocacy efforts to build a culture of competition. The importance of building a competition culture is what the *2017 Annual Report* seeks to highlight in the theme “Mainstreaming Competition Policy, Building Partnerships.”

Only two years into its organization, the Philippine Competition Commission (PCC) has already made significant strides in implementing competition law and policy. PCC’s two-pronged approach in building a culture of competition in the country, that is, mainstreaming competition policy and building partnerships, yielded the best possible outcomes. The end of the transitory period of the Philippine Competition Act (PCA) on August 8 has seen PCC intensify implementation of the law to curb and penalize anti-competitive practices. To raise awareness about the end of the transitory period, the agency also boosted its advocacy efforts.

Competition Enforcement



Enforcement of Rules and Regulations

In 2017, the PCC, through its Competition Enforcement Office (CEO), concluded four preliminary inquiries, recommended two matters for *motu proprio* investigation, and acted on 11 major stakeholder complaints. It also published the *2017 Rules of Procedure* which governs the conduct of investigations and enforcement proceedings before the Commission. Significant features of the Rules include the provision on fines and penalties imposable on violators and remedies available to the parties. Towards the latter part of the year, the CEO has closed a full administrative investigation involving the ophthalmological services sector upon the parties’ termination of the subject agreement and their discontinuance of the alleged anti-competitive practice.



Review of Mergers and Acquisitions

A total of 53 transactions were notified to the Commission in 2017 through its Mergers & Acquisitions Office (MAO). These notifications were all acted upon within the prescribed statutory timeframe. A notable case decided by PCC is the acquisition of AGC Flat Glass Philippines, Inc. (AGPH), which was the sole manufacturer of clear and bronze float glass in the Philippines, by TQMP Glass Manufacturing Corp. (TQMP). The parties therein submitted voluntary commitments to eliminate competitive harm to competitors and consumers.

The MAO has also published the *PCC Rules on Merger Procedure and Merger Review Guidelines* for the guidance of its clients. Both aim to harmonize the review process so that external parties may properly comply with merger requirements and procedures. These are complemented by a Memorandum Circular on the *Determination of Fines for Failure to Comply with Merger Notification Requirements and Waiting Periods*. MAO also issued a Clarificatory Note on *Compulsory Notification in Voting Securities Acquisition*, which provides guidance on the coverage of compulsory notification. Finally, it also released a Memorandum Circular on *Revised Rules on Payment of Fees for Notification and Review of Mergers and Acquisitions*, which ratified earlier rules on filing fee payments.

Institution Building



Hiring of personnel

From only a handful of employees in 2016, PCC has increased its staff complement to fulfill its mandate. As of end of 2017, PCC was a 160-strong agency composed of economists, lawyers, investigators, accountants and corporate managers. PCC’s selective recruitment process and competitive compensation package ensure hiring of talents committed to furthering competition in the Philippines given the novelty of competition law and policy. PCC’s capacity-building programs equipped its new hires with the skills and knowledge that would enable them to enforce competition law and policy.

Organizational Development



To ensure quality of government service, PCC continuously improves its service delivery processes. In building administrative efficiency, support systems and good governance measures have been established. The PCC Quality Management System (QMS) was put in place to ensure the agency’s compliance with quality operation standards and system performance. A Citizen’s Charter was also issued to curb red tape in transactions with PCC offices and facilitate delivery of public service. Lastly, the Freedom of Information (FOI) Manual was released in line with the government’s thrust to promote transparency and accountability. PCC believes that all these will help build an efficient internal system with a view to a more effective competition enforcement.



Competition Advocacy

First Competition Chapter in the Philippine Development Plan

One of the most important advocacy efforts of PCC is the introduction of a Competition Chapter in the Philippine Development Plan (PDP) 2017-2022, the country's development blueprint in the medium term. The Chapter is a product of PCC's conduct of a national competition policy review. Considered as a first in the country's socioeconomic planning history, the Competition Chapter in the PDP is a game-changing initiative that positioned competition policy among the government's arsenal of development tools for sustained and inclusive growth. In particular, the Competition Chapter stresses the need to improve consumer welfare and market efficiency by eliminating anti-competitive practices and reducing barriers to entry and limits to entrepreneurship.



Partnerships with Relevant Agencies

To harmonize policies and facilitate efficient inter-agency coordination, PCC has forged partnerships with sector regulators and other government agencies through the signing of three Memoranda of Agreement (MOA) in 2017. These include agreements with: (i) the Bangko Sentral ng Pilipinas to jointly promote competition while attaining financial stability in the banking sector; (ii) the Commission on Audit to ensure effective investigation in cases related to bid-rigging particularly in government procurement; and (iii) the Philippine Statistics Authority to strengthen the capacity of PCC to conduct market studies and to enable swift sharing of relevant data. Through these collaborative efforts, it is hoped that the goal of combating anti-competitive practices and promoting competition will be a shared commitment and a collective effort among PCC and other government agencies.



Policy Support to Congress

In recognition of its expertise in competition law and policy, PCC has been constantly sought by Congress for inputs on various legislation. In 2017, PCC submitted a significant number of policy recommendations to Congress, including: (i) a proposal to introduce pro-competitive provisions, such as prohibitions on exclusive arrangement, in the proposed *Free Internet in Public Places Act*; (ii) amendments to the *Public Services Act*, such as the lifting of foreign equity cap on certain industries and redefinition of "public utility;" and (iii) recommendations for improving competition in the telecommunications industry by amending the *Public Telecommunications Act* and legislating *Mobile Number Portability*, *Open Access in Data Transmission*, and *Spectrum Management Reform*.



Policy Research

Through its Economics Office (EO), PCC has undertaken issues papers and policy research geared towards improving the competition environment across Philippine markets. In 2017, PCC completed seven policy research and issues papers involving various industries. Among key achievements in policy research are: (i) Anti-Competitive Effects of Regulatory Restrictions: The Case of the Construction Sector; (ii) PhP1 Billion Threshold for Compulsory Notifications of Mergers and Acquisitions; (iii) Competition Policy and Inclusion in the Philippines; (iv) Department of Trade and Industry's Suggested Retail Price for Basic Necessities and Prime Commodities; (v) Capacity Building for Micro, Small, and Medium Enterprises (MSMEs) on Competition Policy; and (vi) Regional Cooperation as a Public Good. PCC's policy research activities aim to contribute to the literature in the field of competition, act as additional mechanism to detect anti-competitive behavior, and serve as recommendatory tool in policy reforms.



Public Information and Capacity Building

In addition to its efforts in creating public awareness of the benefits of competition, PCC conducted a total of 35 advocacy and capacity-building activities in 2017 for key stakeholders from the government, business sector, academe, media, and civil society. Among these initiatives is the *National Roadshows on the Philippine Competition Law and Policy* held in Davao and Cebu. The roadshows increased awareness and understanding of the PCA and the PCC among the business community and consumers. Another notable accomplishment is the capacity building workshop to craft an action plan that will facilitate the entry and growth of MSMEs.

Advocacy materials were published for mass dissemination of competition-related information including 33 kits and handbooks, two informational videos, and a number of educational posts in social media.



Review of Mergers and Acquisitions (M&As)

Fast Facts:

53 M&A Notifications Received

- o 46 M&A Notifications Reviewed
- o Six M&A Notifications subjected to Early Termination before Phase One
- o One M&A Notification Returned for Insufficiency of Information



L-R Atty. Lianne Ivy Medina, MAO; Atty. Gianfrancis Camacho, Legal; Dir. Krystal Lyn Uy, MAO; Commissioner Johannes Benjamin Bernabe; Commissioner Amabelle Asuncion

Merger Rules

On November 9, the Commission approved and adopted the *Rules on Merger Procedure of the PCC* (“Merger Rules”), after undergoing public consultations attended by members of the business sector, government agencies and regulators, the academe, and other competition stakeholders.

The Merger Rules serve as guide for PCC and business entities on the M&A notification process, Phase I and Phase II reviews, remedies, adjudication, confidentiality, as well as fines and penalties. The document is also aimed at guiding the interpretation and direction for merger reviews and assuring notifying parties of the transparency and objectivity of the review process, as mandated by Section 16 of the Philippine Competition Act.

To flesh out the state policy of penalizing all forms of anti-competitive mergers, the PCC is vested with the power to review, investigate, and evaluate mergers and acquisitions (M&As), and to prohibit those that will substantially prevent, restrict, or lessen competition in the relevant market.

Pursuant to its mandate, the PCC, through its Mergers and Acquisitions Office (MAO), has laid down the thresholds for compulsory notification of M&As and determined the requirements and procedure for notification. From the time it was organized, the PCC has been conducting reviews of M&As that breach the notification thresholds, and has been monitoring markets to guard against M&As that, though non-notifiable, may substantially lessen competition in markets for goods and services in the Philippines.

In 2017 alone, the PCC received 53 notifications, 46 of which pertain to notifiable transactions which proceeded to Phase One review. Of these transactions, five further proceeded to a Phase Two review. All transactions were reviewed within the statutorily prescribed timelines of 30 and 60 days for Phase One and Phase Two reviews, respectively.

To assist with the planning and consideration of proposed M&As, the PCC established pre-notification consultations (PNCs). PNCs serve as a venue for transacting parties to seek guidance on notification thresholds, helping facilitate their assessment on whether their transaction is notifiable or not. PNCs also afford transacting parties an opportunity to seek clarification on the information required for the notification and review of their transaction. Throughout 2017, the PCC conducted 65 PNCs upon the request of transacting parties.

To clarify the requirements and procedure for the review or investigation of M&As, the Commission approved and adopted the *PCC Rules on Merger Procedure* (Merger Rules), which became effective on November 23. The Merger Rules are aimed at guiding the interpretation and direction for merger reviews, including possible remedies, and to assure notifying parties of the confidentiality of information provided to the PCC, as well as the transparency and objectivity of the review process.

In addition to the Merger Rules, the PCC issued in 2017 the following guidelines pertaining to M&As:

- Memorandum Circular No. 17-001: Determination of Fines for Failure to Comply with Merger Notification Requirements and Waiting Periods (February 13)
- Clarificatory Note No. 17-001: Compulsory Notification in Voting Securities Acquisition (February 23)
- Merger Review Guidelines (March 27)
- Memorandum Circular No. 17-002: Revised Rules on Payment of Fees for Notification and Review of Mergers and Acquisitions (July 11)



M&A CASE STUDY: Voluntary commitments in acquisitions

In 2017, the PCC accepted voluntary commitments from TQMP Glass Manufacturing Corp. (TQMP) as a precondition for the approval of TQMP's acquisition of AGC Flat Glass Philippines, Inc. (AGPH).

The PCC found during review that after acquisition of AGPH, which is the sole manufacturer of clear and bronze float glass in the Philippines, TQMP and its related entities would control more than 50% of clear and bronze float glass supplied in the Philippines. Moreover, as TQMP had related entities involved in the downstream industries of glass processing and glass distribution, the PCC expressed concern over TQMP's ability and incentive to increase prices of clear and bronze float glass that will be supplied to competitors of its related entities post-acquisition.

The PCC eventually approved TQMP's acquisition subject to the following conditions which are designed to prevent TQMP from engaging in anti-competitive conduct:

- I. TQMP shall cause AGPH to set prices and provide services to customers in a fair, reasonable, and non-discriminatory manner, and maintain a non-discriminatory practice in the processing of purchase orders and delivery of products and services;
- II. TQMP shall cause AGPH to sell its products or services to glass distributors on terms no less favorable than similarly situated customers despite
 - a. such entity being a competitor of a related entity of TQMP; or
 - b. such entity purchasing products or services from the competitors of AGPH.
- III. TQMP shall not impose discounts or rebates that are exclusionary or result in foreclosure. Discounts or rebates shall be made known to customers; and
- IV. TQMP shall report to the PCC, in an expeditious manner, any application with any government agency for the imposition or extension of any duties or quotas that may affect the prices of imported clear or bronze float glass.

In addition, the PCC imposed reportorial obligations necessary to monitor the results of the acquisition.

Top Five Sectors based on Transaction Value



P137.22 billion

Manufacturing



P108.40 billion

Electricity, gas, steam and air-conditioning supply



P52.19 billion

Construction



P27.27 billion

Administrative and support services



P27 billion

Transportation and storage

Top Five Sectors based on Number of Notifications

13

Manufacturing



9

Electricity, gas, steam and air-conditioning supply



6

Real estate activities



4

Transportation and storage



4

Financial and insurance activities



Reviewed M&A Notifications per Sector

Sector	Sum of Transaction Value (in PHP)
Manufacturing	137,224,950,024.59
Electricity, gas, steam and air-conditioning supply	108,397,841,050.85
Construction	52,186,797,717.00
Administrative and support services	27,269,928,700.00
Transportation and storage	27,000,223,856.62
Real estate activities	24,493,931,510.00
Water supply, sewerage, waste management and remediation activities	20,000,000,000.00
Mining and quarrying	11,770,097,725.00
Financial and insurance activities	9,272,979,020.00
Professional, scientific, and technical services	6,352,240,052.35
Agriculture, forestry and fishing	4,287,088,804.00
Information and communication	3,644,166,000.00
Wholesale and retail trade; repair of motor vehicles and motorcycles	1,824,153,293.00
Accommodation and food service activities	1,774,026,000.00
Human health and social work activities	1,674,010,940.00
Education	796,386,592.00
Grand Total	437,968,821,285.41

List of Transactions Reviewed in 2017

1. Acquisition by Shangtex (Hong Kong) Limited of shares in Luen Thai Holdings Limited
2. Acquisition by SM Investments Corporation of shares in Philippines Urban Living Solutions, Inc.
3. Acquisition by Jacobs Douwe Egberts B.V. of shares in Super Group Ltd.
4. Acquisition by Sumitomo Rubber Industries, Ltd. of assets and shares in Brands Holdings Limited, Dunlop Brands Limited, Dunlop Australia Limited and Dunlop Slazenger 1902 Limited
5. Acquisition by Altor Holding AB of shares in Transcom Worldwide AB
6. Acquisition by Rockwell Collins, Inc. of shares in B/E Aerospace, Inc.
7. Acquisition by NTJ Holdings 1 Ltd. of shares in NEC TOKIN Electronics (Philippines) Inc.
8. Acquisition by Sumitomo Heavy Industries, Ltd. of shares in FW Energie B.V.
9. Acquisition by Reckitt Benckiser Group plc of shares in Mead Johnson Nutrition Company
10. Acquisition by Arkray Factory, Inc. of assets and shares in HDK Philippines Incorporated
11. Acquisition by Sky Megaplaza Properties, Inc. of assets of Supalai Philippines, Inc.
12. Acquisition by John Wood Group plc of shares in Amec Foster Wheeler plc
13. Acquisition by AT&T Inc. of assets and shares in Time Warner Inc.
14. Acquisition by E. I. Du Pont De Nemours and Company of assets and shares in FMC Corporation
15. Acquisition by Alipay Singapore Holding Pte. Ltd. of shares in Globe Fintech Innovations, Inc.
16. Acquisition by Ayala Corporation of shares in BF Jade E-Services Philippines, Inc.
17. Acquisition by Denso Corporation of shares in Fujitsu Limited
18. Acquisition by SPI Global Content Holding Pte. Ltd. of shares in Asia Outsourcing Philippines Holdings, Inc., SPI Global Shared Services Pte. Ltd. – ROHQ, SPi Technologies, Inc. and Pacific Space International Development Corporation
19. Joint Venture between Federal Land, Inc. and Isetan Mitsukoshi Holdings Ltd., Nomura Real Estate Holdings, Inc. and Grand Titan Capital Holdings, Inc.
20. Acquisition by Dubai Aerospace Enterprise (DAE) Ltd of shares in Carmel Capital S.a r.l.
21. Acquisition by P-H-O-E-N-I-X Petroleum Philippines, Inc. of shares in PETRONAS Energy Philippines, Inc.
22. Joint Venture between San Miguel Corporation, Northern Cement Corporation and San Miguel Northern Cement, Inc.
23. Joint Venture between Rockwell Land Corporation, Mitsui Fudosan (Asia) Pte. Ltd. and Rockwell MFA Corporation
24. Acquisition by JT International SA/ JT International (Philippines) Inc. of Assets of Mighty Corporation and Wong Chu King Holdings, Inc.

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25. Acquisition by Global Business Power Corporation of assets and shares in Alsons Thermal Energy Corp.
 26. Acquisition by The Philippine Stock Exchange, Inc. of shares in Philippine Dealing System Holdings Corp.
 27. Acquisition by KWA Investment Co. of assets and shares in Monsanto Company
 28. Acquisition by SM Retail Inc. of shares in Goldilocks Bakeshop Inc.
 29. Acquisition by Global Business Power Corporation of assets and shares in Alsons Thermal Energy Corp.
 30. Acquisition by Qualcomm River Holdings B.V. of shares in NXP Semiconductors N.V.
 31. Acquisition by Clark Global City Corp. of shares in The Port Fund LP
 32. Acquisition by Chelsea Logistics Corp. of shares in Starlite Ferries, Inc.
 33. Acquisition by Weldon Offshore Strategic Limited Incorporated of shares in TWA, Inc.
 34. Joint Venture between Federal Land, Inc. and ORIX Risingsun Properties Incorporated
 35. Acquisition by Lafarge Holdings (Philippines), Inc. of shares in Bulacan Holdings, Inc.
 36. Acquisition by The Philippine Stock Exchange, Inc., of shares in Philippine Dealing System Holdings Corp.
 37. Acquisition by Chelsea Logistics Corp. of shares in KGLI-NM Holdings, Inc.
 38. Acquisition by Linde PLC of shares in Linde Aktiengesellschaft
 39. Acquisition by Presage Corporation of shares in Negros Island Biomass Holdings, Inc.
 40. Acquisition by K. K. Pangea of shares in Toshiba Memory Corporation
 41. Acquisition by Heritage Global Limited / Diamond Leaf Investment Limited of shares in Ondarea, Inc.
 42. Acquisition by ACEHI-Star Holdings, Inc. of shares in Chevron Geothermal Philippines Holdings, LLC
 43. Acquisition by GIP Zenith CayCo II Ltd (Cayman) / GIP III Zenith Trust III / GIP Zenith CayCo IV Ltd of shares in Equis Energy / Equis Energy II / Equis Energy III
 44. Acquisition by TKP Salceco Holding Corp. of shares in Taisei Philippine Construction, Inc.
 45. Joint Venture between Prime Metro Power Holdings Corporation and San Lorenzo Ruiz Piat Energy and Water, Inc.
 46. Joint Venture between Prime Metro Power Holdings Corporation and San Lorenzo Ruiz Builders & Developers Group, Inc.



Enforcement of Competition Rules and Regulations



Atty. James Daniel Donato (fourth from left) of the Competition Enforcement Office (CEO) emphasizes a point during public consultation. Joining him in the panel are (from left) Atty. Ma. Lourdes Polido of the Mergers and Acquisitions Office (MAO); Atty. Estelle Marielle Delfin (CEO); CEO Director and Atty. Orlando Polinar; and Atty. Ma. Graciela Base, Chief-of-Staff of Commissioner Butuyan.



PCC Competition Enforcement Office Director Atty. Orlando P. Polinar explains to members of the press how 8/8 (end of the transitory period) will affect PCC's implementation of R.A. 10667.

The PCC recognizes that the most effective and cost-efficient approach to competition enforcement is encouraging voluntary compliance through strong and lasting partnerships. The PCA itself allows a two-year transition period for entities to voluntarily renegotiate their agreements and adjust their business practices. This so-called grace period ended last August 8.

With the law coming into full effect, the PCC finalized its *2017 Rules of Procedure* for the guidance of businesses and the public. These were later published and became effective on September 30. Further to PCC's commitment to maintain transparency and predictability in its processes, the Rules stipulate the conduct of administrative investigations and the pleadings and practice before the Commission.

A remarkable feature of the Rules is its chapter on fines, penalties, and final remedies, which lays down the principles and considerations in the imposition of penalties after a finding of a violation of the PCA. Complementary to this is the chapter on non-adversarial remedies, which describes how parties may take advantage of mechanisms for voluntary compliance and thereby avoid a possibly lengthy litigation and large fines.

Pursuant to its mandate to investigate and prosecute anti-competitive agreements and abuse of dominance, the PCC's Competition Enforcement Office (CEO) formally closed in December 2017 a full administrative investigation involving the provision of ophthalmological services. Encouraged to avail the benefits of the transitional clause of the PCA, the concerned entities terminated an agreement and committed to discontinue a practice, which may facilitate the division of the relevant market. The PCC is optimistic that this development will pave the way for more and better choices in eye care.

Other than issuing the *2017 Rules of Procedure* and closing a full administrative investigation, in 2017 alone, the CEO concluded four preliminary inquiries, recommended two matters for *motu proprio* preliminary inquiry, and acted on 11 major stakeholder complaints and 45 other queries and requests from the public. Among the matters recommended for *motu proprio* preliminary inquiry is a referral from Senator Cynthia A. Villar to investigate the alleged cartel in the garlic industry.

The PCA allows a two-year transition period for entities to voluntarily renegotiate their agreements and adjust their business practices. This so-called grace period ended last 8 August 2017.

BEYOND 8/8: PCA transitory period ends

In the exercise of its enforcement powers, the PCC investigates, hears, and decides cases involving anti-competitive agreements and abuse of dominance. All persons and entities engaged in any trade or business are required to comply with the provisions of the PCA.

The PCA provided a two-year window to allow affected parties time to renegotiate agreements or restructure their business so they comply with the provisions of the law. The transitory period ended on August 8, hence 8/8.

Following the end of the transition period, violations of the PCA, including those that were not cured or are continuing beyond the two-year period, shall be subject to the fines and penalties provided therein.

While the PCC can impose administrative fines and penalties and direct other remedies, the prosecution of criminal cases arising from violations of the law are referred to the Office for Competition of the Department of Justice (DOJ-OFC). Further to its mandate, the DOJ-OFC executed a Declaration of Commitment to collaborate and develop a harmonized approach to competition enforcement.

Also part of the PCC's enforcement initiatives is the education of market players and the public to promote and advocate for a culture of healthy competition. In August 2017, the agency launched the campaign "Comply. Compete. Commit. Learn the Act of Real Competition".





The Philippine Competition Act is a game-changing legislation that significantly and irrevocably changed the country's competition landscape. The law may be harsh as hefty fines await violators, but it is also fair as it gives everyone a fair chance to get it right.

-PCC Chairperson Arsenio M. Balisacan



An 8/8 campaign material



Assistant Secretary George Ortha II represented the DOJ-OFC during the August 8 signing of the Declaration of Commitment with the PCC, which was represented by Chairman Balisacan (third from left) and Commissioners Stella Luz Quimbo (leftmost), Johannes Benjamin Bernabe (fourth from left), and Amabelle Asuncion (rightmost).

P100 MILLION

P250 MILLION

1st OFFENSE

JAIL TIME
Directors
OFFICERS

2nd OFFENSE

JAIL TIME
Directors
OFFICERS

What will the PCC do to an entity or entities which will be found in violation of R.A. No. 10667?

Under **Section 29** of the PCA, after due notice and hearing, the PCC may impose administrative fines of up to **PHP 100 million** on the first offense and up to **PHP250 million** on the second offense.

Section 30 of the PCA also states that aside from fines, the penalty of imprisonment may also be imposed upon directors and officials of any corporation involved in an anti-competitive agreement falling under **Section 14(a)** and **(b)** of the law.

Further, under **Section 17** of the PCA, a merger or acquisition consummated in violation of the requirement to notify the Commission shall be considered void and shall subject the parties to an administrative fine of one percent (1%) to five percent (5%) of the value of the transaction.



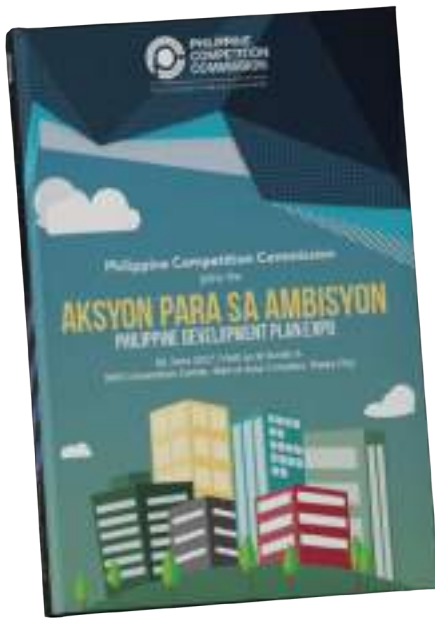
Conduct of Policy Research



Economics Office Director Benjamin Radoc explains the role of competition in the country's socioeconomic agenda and the PDP 2017-2022



Executive Director Gwen G. de Vera* discusses the role of the PCC in the crafting of the competition chapter in PDP 2017-2022



The PCC is mandated to review economic and administrative regulations that may adversely affect competition in the markets. Through economic and legal research, the PCC evaluates the impact of government policy on market competition and consumer welfare. The agency also provides economic analysis to support the detection and investigation of anti-competitive behavior.

In 2017, the PCC undertook seven policy research and issue papers, as follows:

- Anti-Competitive Effects of Regulatory Restrictions: The Case of the Construction Sector
- PhP1 billion Threshold for Compulsory Notifications of Mergers and Acquisitions
- PDP Chapter on Competition Policy
- Competition Policy and Inclusion in the Philippines
- Department of Trade and Industry's Suggested Retail Price (SRP) for Basic Necessities and Prime Commodities
- Capacity Building for Micro, Small, and Medium Enterprises (MSMEs) on Competition policy (an APEC-funded project completed by an APEC consultant in collaboration with the Economics Office)
- Regional Cooperation as a Public Good (ADB Regional Public Goods Call for Paper Submission)

The policy researches and sector studies put forward by the PCC, through its Economics Office (EO), aim to contribute to the literature in the field of competition, both locally and internationally.

For instance, the paper "Anti-Competitive Effects of Regulatory Restrictions: The Case of the Construction Sector" attempts to examine the negative effects of regulation in the Philippine construction industry. The study found that the Philippine Contractors Accreditation Board's (PCAB) licensing policy of distinguishing local construction companies from foreign ones has led to the creation of barriers to entry for foreign construction firms. In its intra-government advocacy and advisory role, the PCC has recommended doing away with this nationality distinction in order to increase foreign direct investments in the construction sector and, ultimately, bring about higher gains for the entire economy.

After studying the effects on competition of the DTI's SRP policy, the EO, in its paper on the same topic, is suggesting an alternative approach to influencing price-setting behavior such as through DTI's ePresyo platform. The said platform is an online listing of prevailing prices of basic necessities and prime commodities which will allow consumers to easily compare prices across brands and retailers.

*Atty. Gwen G. de Vera resigned from her position as executive director on February 16.



Photo courtesy of the Office of Senator Bam Aquino

MAO Dir. Krystal Lyn Uy (3rd from left) and Economics Office Division Chief Isabella Villamil (rightmost) provide inputs during the Senate hearing on the Open Access in Data Transmission Bill

Policy Support to Congress

With the increased awareness of the benefits that can be obtained from dynamic market competition, Congress has likewise sought the competence of PCC in addressing the competition-related issues of various pending legislation. Last year, PCC submitted its policy recommendations and attended congressional hearings on a number of bills:

- Free Internet in Public Places Act. In support of the government's thrust to democratize access to the Internet, the PCC has been instrumental in the passage of this law. So as to create a level playing field for potential participants, PCC proposed the inclusion of provisions that would promote fair competition, such as prohibitions on exclusivity arrangements. PCC also worked with the Department of Information and Communications Technology (DICT) in drafting the Implementing Rules and Regulations of the said law.
- Amendments to the Public Services Act. The PCC has been unrelenting in its support for initiatives in Congress that seek to amend certain provisions of the 80-year-old Public Service Act, among them is the lifting of the foreign equity cap on certain industries, including telecommunications and transportation. PCC is proposing to redefine what constitutes a public utility, thereby limiting to a small number of industries the public utilities whose foreign ownership will be restricted to the constitutionally-mandated limit of 40%.
- Competition in the Telecommunications Industry. Recognizing the pivotal role that the telecommunications industry plays in growth and development, the PCC has been very vocal in its support of various legislative bills that have the capacity to alter the dynamics of competition in the sector. Among the bills that PCC weighed in are the following:
 - o Mobile Number Portability. This proposed legislation will make it easier for a telco subscriber to retain his/her mobile number when moving from one provider to another, or from switching to prepaid to postpaid or vice versa. This portability law has the potential to spur competition, as it reduces switching costs on the part of subscribers, and likewise incentivizes providers to constantly innovate and improve their services so they can retain their market shares.
 - o Open Access in Data Transmission. This bill aims to plug the gap in existing legislation by having a comprehensive law to govern and regulate the provision of data transmission services. It provides for the promulgation of rules on firms having substantial market power in the telecoms sector, requiring them to ensure fair, reasonable, and nondiscriminatory access to their services. It also seeks to allow PCC to determine the occurrence of anticompetitive cross-subsidization.
 - o Amendments to the Public Telecommunications Act. Considering that the Public Telecommunications Act has been passed in 1995, it is imperative to amend the law to make it more in synch with developments in the industry. To improve competition in the telecom sector, PCC has proposed the introduction of significant market power and number portability obligations and the elimination of cross-subsidies.
 - o Spectrum Management Reform. Radio frequency spectrum is an essential input in the provision of telecommunication services, but is a finite resource. As such, having an efficient and effective spectrum management policy is essential to ensuring competition in the industry. With an effective policy in place, it would facilitate the assignment and allocation of spectrum, and even its recall or re-farming when it is not being optimally, used by operators holding them.



Competition Chapter — a first for the Philippine Development Plan

Working towards the goal of achieving inclusive economic growth, the Philippine Development Plan (PDP) 2017-2022 sends a clear signal that the promotion and enhancement of market competition is a national priority.

The pursuit of fair market competition will be achieved by ensuring that businesses and consumers are protected from anti-competitive practices, facilitating ease of doing business especially for new players, and advocating collaboration among key government agencies, sector regulators, and development partners.

Specifically, the PDP 2017-2022 Chapter on Competition stresses the importance of improving consumer welfare and market efficiency by eradicating anti-competitive practices and reducing barriers to entry and limits to entrepreneurship.

The Chapter on Competition identifies high-impact priority sectors for review and investigation. These include agriculture, manufacturing, and services such as telecommunications, transportation, power generation, and electricity distribution. A comprehensive analysis of these industries would involve assessing various competition issues such as limits to entrepreneurship, and probing for existence of anti-competitive practices such as the abuse of dominant position and collusion.

In agriculture, a review of staple food industries will be prioritized. Through the conduct of issues papers, the PCC will be able to determine whether there are anti-competitive practices along the supply chain, and whether there are laws and regulations that potentially hurt competition.

Results of issues papers will aid policymakers in drafting legislation, and encourage all stakeholders to understand and support the objectives and benefits of competition. A wider understanding and deeper appreciation—at all levels of decision-making in government, in the business sector, and by consumers—of the benefits of fair market competition are indispensable in creating and maintaining a culture of competition in the Philippines.

Commissioner Stella Luz A. Quimbo served as the Chairperson of the National Competition Policy Planning Committee during the series of Plan Steering Committee (PSC) meetings and national consultations on the formulation of the PDP Competition Chapter. The PDP 2017-2022 was launched publicly last June 2 at the SMX Convention Center, Mall of Asia Complex.

Chairman Arsenio M. Balisacan joined other high-level officials and Cabinet Secretaries who rallied behind the launch and support of the PDP spearheaded by the National Economic and Development Authority.



L-R, front row: Australian Competition and Consumer Commission Deputy Chair Michael Schaper; Professor Mark Williams of University of Melbourne; PCC Executive Director Gwen De Vera; Ms. Shila Raj (former Chief Executive Officer of Malaysia Competition Commission) and Dr. Hassan Qaqaya (former Head of United Nations Conference on Trade and Development Competition and Consumer Policies Branch)



PCC Economics Office Division Chief Ms. Isabela Rosario Villamil leads one of the breakout sessions during the crafting of an action plan for MSMEs



PCC Executive Director Gwen De Vera explains to participants provisions of the Philippine Competition Act pertaining to MSMEs.

Action plan for MSME growth

Micro, small, and medium enterprises (MSMEs) took center stage at the capacity-building workshop organized by the Philippine Competition Commission (PCC) and sponsored by the Asia-Pacific Economic Cooperation (APEC) Secretariat.

Held on July 27-28 in Ortigas Center, the main objective of the workshop was to craft an action plan that will facilitate the entry and growth of MSMEs.

“We recognize that the growth potential of MSMEs can be maximized if they have a fair chance of succeeding alongside larger and more established foreign and domestic players,” said PCC Chairman Arsenio M. Balisacan during his opening remarks. “Competition policy aims to make the entry of new players and the expansion of existing businesses easier.”

The two-day workshop is the culmination of the APEC Small and medium Enterprises project, which conducted baseline studies to benchmark MSME issues in similar countries and focus-group discussions with key stakeholders to identify challenges faced by Filipino MSMEs in doing business. Aside from MSMEs and MSME associations, the event was attended by international participants from APEC member-countries like Indonesia, Japan, Malaysia, Mexico, Papua New Guinea, Peru, Russia, Thailand, and Vietnam.

Advocacy and Capacity Building



Roadshows bring competition lens to Davao, Cebu

The PCC spearheaded the Public Forum on the Philippine Competition Act in Davao City on June 20-21 as part of the national roadshows this year with the theme “Mainstreaming National Competition Law and Policy.”

partnership with the University of Southeastern Philippines and the Davao City Investment Promotion Center.

The Cebu leg of the event was conducted on June 28-29 in partnership with the University of San Carlos (USC) and the Department of Trade and Industry (DTI) – Cebu Provincial Office.

This event was organized with the support of the City Government of Davao, in

The advocacy activities of the PCC were in full swing throughout the year to help inform the public and various stakeholders of the provisions of the PCA. As laid out in its 2017-2019 Advocacy and Communications Strategy, the PCC undertook strategies to increase awareness and understanding of the PCA and the PCC among the business community and consumers.

In preparation for the end of the transitory period on August 8, the PCC launched a multimedia campaign titled “Comply. Compete. Commit. Learn the Act of Real Competition.” Called the 8/8 Campaign, it enjoins businesses to be mindful of compliance with the law, as with the need to compete in the market.

The 8/8 Campaign was part of the 35 advocacy and capacity building activities conducted in 2017 for both internal and external stakeholders. For this campaign and other advocacy activities, the PCC produced 226 information, education and communication (IEC) materials or knowledge products, including two policy notes, 33 guidebooks/handbooks/brochures/primers, two informational videos, and 189 social media assets.

Essay-writing and video-making contests were also launched in 2017, designed for college students to instill the spirit of competition among the youth.

Through its Communications and Knowledge Management Office (CKMO), the PCC has started its flagship program—a strategic advocacy campaign designed to engage the public through mass media (e.g. social media, broadcast, print, and other platforms). This was complemented with the release of a series of publications for different audiences, as well as the conduct of fora, press rounds, and meetings, including roadshows and college tours in key major cities outside Metro Manila to help widen PCC’s engagements with the local businesses and government units.



8

Things You Need to Know About the Philippine Competition Act by August 8

After August 8, Republic Act No. 10667, otherwise known as the Philippine Competition Act (PCA), will be in full swing, allowing the Philippine Competition Commission (PCC), as its implementing authority, to fine and penalize cartels, price-fixers, bid-riggers, and other economic saboteurs in the market to ensure a level playing field.

As we count 8 days to the end of the transitory period under the PCA, here are 8 things you should know.



1 | The PCA: a landmark legislation.

After over two decades since the first proposed legislation, the PCA was finally passed on July 2015 and took effect on August 2015. It is the first comprehensive competition or antitrust law in the country that focuses on promoting and ensuring fair competition. It sets the legal framework for a policy and regulatory environment that fosters a level playing field for business.

Although competition law is new in the Philippines, over 120 countries around the world have been implementing their own competition or antitrust laws as early as the 1800s. Among ASEAN members, the Philippines is one of the last to adopt a competition law. It has used this, however, to its advantage by learning from experiences of other countries. The law and its implementation thus adopt global good practices suited for the Philippine business environment.

2 | The PCA is a game-changer.

Old ways of doing business that restrict competition must now give way to fair and progressive business strategies that incentivize efficiency, innovation and competitiveness.

The PCA creates a culture of competition across all types of businesses—big or small, old or startups, multinationals or homegrown. This inspires an entrepreneurial spirit, empowers small and medium businesses, and encourages investments. At the same time, a competitive environment enhances consumer choice because it drives business to improve quality, lower prices, and broaden access of consumers to goods and services.

As a game-changer, the PCA has the power to improve the quality of life of every Filipino as it ultimately promotes inclusive and sustainable economic growth.

3 | What are anti-competitive practices?

To ensure competition, the PCA prohibits anti-competitive practices. There are three basic types: anti-competitive agreements, abuse of dominant position, and anti-competitive mergers. Examples of anti-competitive agreements are agreements among business rivals to fix prices or competitors acting together to limit competition. Companies taking part in such agreements face fines of up to 100 million pesos, and their directors and officials may even be jailed for up to 7 years.

Markets dominated by a single or few companies are particularly prone to anti-competitive practices. While being a market leader per se is legal, a dominant player engaging in predatory pricing to drive away competitors is exercising abusive behavior that is anti-competitive.

Mergers and acquisitions (M&As) are likewise not illegal per se. In fact, these can benefit consumers by increasing efficiency and lowering production costs. There are M&As, however, that might result in potential loss of competition, preventing entry of new players, collusion among competitors, among others. The PCA thus guards against these kinds of M&As through a review process.

4 | Bid-rigging and price-fixing are anti-competitive per se.

Once participants in a bidding process are proven to coordinate their bids instead of submitting independent bids, they will be penalized. Other competition authorities in the Asian region, such as in Japan, Singapore, and Indonesia, have imposed substantial fines on companies found guilty of bid-rigging or bid manipulation.

Similarly, competitors found to have colluded to fix prices of goods or services, whether explicitly or tacitly, through formal or informal agreement, or through concerted practice, shall be penalized. This is commonly known as a 'cartel,' which, because of its inherently harmful nature, allows no excuses and is punishable by imprisonment.

5 | The PCC is the guardian of market competition.

The primary enforcer of the PCA is the Philippine Competition Commission (PCC). As an independent quasi-judicial body, the PCC has broad powers to investigate and decide on anti-competitive activities, review mergers and acquisitions, and impose fines and penalties. PCC also advises the government to promote pro-competitive policies.

PCC was established in February 2016 and composed of a chairperson and 4 commissioners appointed by the President for a fixed term. The current roster is led by Dr. Arsenio Balisacan as Chairperson, with Atty. Johannes Bernabe, Dr. Stella Quimbo, Atty. El Cid Butuyan, and Atty. Amabelle Asuncion as commissioners.

This guardian of competition is staffed by high-caliber lawyers and economists who ably perform the work of the Enforcement Office, Mergers and Acquisitions Office, and the Economics Office.

6 | The PCA's 2-year "grace period" for businesses ends on August 8.

The PCA provides for a two-year transitory period to allow companies time to restructure their businesses, change their practices, or revisit their existing contracts and agreements

to comply with the provisions of the PCA. This period ends on August 8, 2017.

After August 8, any continuing business structure, practice, or agreement that may be in violation of the PCA shall be subject to investigation and prosecution. A person found to be in violation may suffer criminal, civil, and administrative liabilities. Penalties include fines ranging from 100 Million Pesos to 250 Million Pesos, payment of damages, and imprisonment.

7 | Compliance is good for business.

The PCA upholds the fundamental principle that competition is good for business, which means it benefits companies, big or small. Thus, ensuring that a company's business practices and agreements are in conformity with the PCA makes complete business sense. With compliance, not only is the risk of incurring criminal and monetary penalties avoided, but business reputation is also protected and enhanced.

Compliance with the PCA is part of good corporate housekeeping that merits a strong commitment from business owners and their top management. This can be concretized by implementing an effective compliance program where managers, operators and employees are trained and protocols are incorporated into business processes to ensure that the company is not engaged in anti-competitive practices.

8 | Every Juan can help promote competition.

The fruits of an effective competition policy are now within our reach! Consumers, too, have an important role in ensuring that real competition exists in the market so they can enjoy more choices at lower prices and better quality. The vigilance of consumers will give businesses a stronger motivation to comply and compete. After all, business needs consumers as much as consumers need business.

You can help the PCC by providing information on business practices possibly violating the PCA. Email us at queries@phcc.gov.ph or at ceo@phcc.gov.ph or visit us at the 2F DAP Bldg., San Miguel Avenue, Ortigas Center, Pasig City from Mondays through Fridays.

Together, let us make markets work well in every sector, everywhere in the country.

With the Philippine Competition Act, Every Juan Wins

Competition in business drives companies to do better than their rivals by offering the best products at the best prices. It is good for business because all players, big or small, are given a fair chance to vie for customers. Competition promotes innovation and enhances the marketplace.

Ultimately, with competition, the consumer wins.



With competition among transport services, you have a choice of the fastest, cheapest, or most convenient way to get to your destination.



When internet providers compete, you will get better services which will enhance your productivity.



Consumers are protected from the possibility of companies agreeing to fix the price of goods.

You have the flexibility to choose the apps and accessories to bundle with the gadget you purchased.



You can have access to quality and affordable healthcare.



With several brands competing for your attention, businesses find ways to win your hard-earned money and even harder-to-earn loyalty.



With electric companies bidding competitively in the energy sector, you enjoy lower rates and indulge in some of life's conveniences.



PCC

The Philippine Competition Commission is the guardian of the marketplace. It enforces the Philippine Competition Act and ensures businesses comply with the law, compete fair and square, and commit to the promotion of an ideal market environment for the benefit of every Filipino consumer.

Healthy competition is a win-win situation for everyone!

Tapping the Media

Recognizing the role that mass media plays in educating the public on the benefits of competition and on the attainment of PCC's objectives, the agency undertook several outreach activities and engagement initiatives with media practitioners and professionals in 2017.

As a partner, the media provides PCC a platform through which the Commission can further disseminate and explain latest developments on competition-related matters.

The Commission tallied a total of 109 media engagements for the year.

Beyond the traditional media, the PCC also worked to have a strong online footprint through the release of IEC materials, such as e-flyers and videos for dissemination in popular social media platforms like Facebook and Twitter. News releases were also published online, which contributed to a wider coverage of the PCC and other competition-related issues.



Chairperson Balisacan being interviewed by the media during the Davao leg of the National Roadshows on the Philippine Competition Act.



Number of online articles citing the PCC and/or competition related issues:

3,064



Impressions made on Twitter:

144,000



Official website page views:

655,608



Facebook Reach:

4,874,587



PCC roundtable discussion on the competition landscape of the Philippines with editors and reporters of The Manila Times.

Advancing Knowledge

Advocacy and Capacity Building Activities with Support from Development Partners

1. Public Forum on the Philippine Competition Act for Consumer Groups & MSMEs
2. Public Forum on the Philippine Competition Act for Businesses and Trade Associations
3. US-FTC-supported Workshop on Basic Merger Analysis
4. Technical Consultation on Electricity Market
5. WBG-supported Workshop on Promoting Effectiveness in Anti-Cartel Enforcement: Investigative Methods, Interrogation Techniques, and IT Forensics
6. Media Training on Message Development for PCC Directors and Spokesperson
7. Roadshow on Competition Law and Policy in Davao City – for businesses, legal practitioners, academe, and trade and consumer associations
8. Roadshow on Competition Law and Policy in Cebu City – for businesses, legal practitioners, academe, and trade and consumer associations
9. OECD-KPC's 7th Competition Workshop for Asia Pacific Judges
10. Public Consultation on the Draft Rules of Procedure of the PCC
11. OECD-KPC-supported Bilateral Seminar on Fines and Leniency
12. The Friendly Interview with support from US FTC
13. GIZ-supported High-level Seminar on Adjudication
14. AANZFTA CLIP Module II Training on Investigation and Interviewing Skills
15. WBG-supported Workshop on Economic Analysis of Cartel Enforcement
16. Merger Workshop on Interviewing Skills
17. Workshop on Proof of an Agreement under Competition Law
18. Seminar-Workshop on Knowledge Management and its Role in Competition Agencies
19. Bridging Course on Basic Economics for OSG and DOJ-OFC lawyers
20. US FTC-supported Competition Economics Training Program for PCC, OSG, DOJ-OFC and DTI Officials and Staff
21. APEC Project: Capability Training for SMEs on Competition Law and Policy
22. Knowledge Sharing Session on Developing a Case Theory
23. Knowledge Sharing Session on Competition Enforcement / Targeted Consultation
24. Competition Economics Training Program for PCC staff
25. PCA Seminar for the Public-Private Partnership Center
26. WBG-supported Workshop on Leniency for the PCC, DOJ-OFC and Office of the Ombudsman
27. Workshop on Merger Notification
28. Joint PCC-OSG Competition Enforcement Seminar
29. Seminar for Media on PCA/PCC
30. Campus Tour (UP, DLSU, ADMU): Sustained Awareness and Advocacy Campaign for Competition
31. Executive Session with Philippine Business Leaders
32. Moot Court Exercise supported by the WBG
33. WBG-supported Lecture on Welfare Economics
34. Seminar on Competition Law Enforcement for OSG, DOJ, NEDA, Legislative Committees and Judiciary
35. Focus-Group Discussion on the proposed Capacity Development Frame for Enforcement of Competition Policy with Judges of Special Commercial Courts

Edge and Awareness

International Conferences/Meetings Organized and Participated in by PCC

January	Japan-ASEAN Integrated Fund Program's Promoting Cross-border Enforcement in Southeast Asia, 11-13 January, Tokyo, Japan
February	Asia-Pacific Economic Cooperation (APEC) First Senior Officials' Meeting and APEC Competition Policy and Law Group, 20-28 February, Nha Trang City, Vietnam
March	7th ASEAN Competition Conference, 8-9 March, Selangor, Malaysia Bundeskartellamt's Workshop for Young Competition Authorities and 18th International Conference on Competition, 14-17 March, Berlin, Germany
May	International Competition Network 2017 Annual Conference, 10-12 May, Porto, Portugal
July	United Nations Conference on Trade and Development (UNCTAD) 16th Session of the Intergovernmental Group of Experts on Competition Law and Policy in 5-7 July, Geneva, Switzerland "Round Table on: Challenges in the design of a merger control regime for young and small competition authorities" at the 16th Session of the Intergovernmental Group of Experts on Competition Law and Policy, 5-7 July, Geneva, Switzerland
August	Brainstorming Meeting with the ASEAN Expert Group on Competition on the Essential Elements of the Regional Cooperation Framework on Competition, 28-30 August, Manila 16th Asia Pacific Agricultural Policy Forum, 31 August-1 September, Seoul, South Korea
September	13th East Asia Top-Level Officials' Meeting on Competition Policy and 10th East Asia Conference on Competition Law and Policy, 6-7 September, Bali, Indonesia General Assembly and Conference of the Eastern Regional Organization for Public Administration (EROPA), 11-15 September, Seoul, Korea OECD-KPC Competition Law Workshop - Going After Bid-rigging Cartels, 13-15 September, Ulaanbataar, Mongolia. Global Economic Symposium, 18-19 September, Kiel, Germany Brainstorming Meeting to Determine the Feasibility of Establishing an ASEAN Research Center for Competition, 26-27 September, Manila
October	Joint PCC-EPDP Executive Seminar on Fostering Dynamic Competition in the Philippine Power Industry, 16-17 October, Manila Australian National University and Philippine Institute for Development Studies Manila Conference on Regulation and Governance in the Philippines: Development Policy Challenges for the New Administration, 18-19 2017, Manila
November	20th Meeting of the AEGC-ASEAN Regional Cooperation Framework and ASEAN Research Center for Competition, 20-22 November, Bagan, Myanmar ASEAN Aviation and Competition Regulation Workshop, 23-24 November, Bagan, Myanmar
December	OECD Global Forum on Competition and Asia-Pacific Competition Authority Leaders' Meeting, 4-8 December, Paris, France Training course on Strengthening the Capacity in Enforcing the Competition Law under the JAPAN-ASEAN Integration Fund Program, 5-8 December, Tokyo, Japan

Putting competition on national agenda

Chairperson Balisacan faced members of the Malacañang Press Corps on January 31 to formally introduce the PCC as the government agency in charge of promoting fair competition in Philippine markets, highlighting the importance of competition in the country's development agenda.

Balisacan explained how putting in place safeguards for market competition contribute to a more rapid and sustainable economic growth.

He emphasized that the pressure of having competition enhances efficiency and productivity growth in all businesses, industries, or areas of the country.

The PCC chairperson also added that greater productivity of businesses means that Filipinos benefit through higher incomes from having more and better-quality jobs.

Seven months later, the PCC Chairperson returned to Malacañang and asked the press to help the agency remind businesses of the end of the transitory period provided by the PCA. Under the law, companies were given a two-year grace period to renegotiate their agreements, amend their practices and restructure themselves to comply with the PCA.



Chairman Balisacan explains to members of the Malacañang Press Corps the benefits of having a competition law in the country.



CKMO Director Clarissa David leads a session on media message development*

Facing the press

As PCC engages with media, its CKMO finds more reason to brief the agency's officials and personnel on how to deal with the press through the conduct of the first Media Training and Message Development Workshop on March 14.

Participants were briefed on the importance of the press, interview techniques, and tips in granting interviews and providing responses to the media.

Participants also went through simulations, where select members had a chance to "face the media" and respond accordingly.

**Professor David stepped down as CKMO head and returned to the University of the Philippines College of Mass Communication in May 2017.*

Partnerships with Sector Regulators and the Development Community

Forging partnerships with various sector regulators and government agencies.



While the PCA grants the PCC original and primary jurisdiction in the enforcement and regulation of all competition-related issues, coordination with relevant government entities is necessary to ensure delineation of responsibilities and functions, as well as to establish effective, efficient, and cooperative working practices. The PCC also understands the need for collaboration as it recognizes its fellow regulators' innate technical expertise and knowledge in their respective sectors.

Where local expertise were unavailable, the PCC looked beyond Philippine shores and tapped the wealth of knowledge and best practices, especially in the area of competition law and economics.

The PCC sought the assistance of development partners, which include multilateral and bilateral institutions,

counterpart competition authorities, intergovernmental organizations and international academic institutions. These development partners have, in varying degrees and forms, shared their experience, practices, and resources, allowing the PCC to build its capacity quickly, efficiently, and effectively.

Notwithstanding the strong support from the development partners, the PCC recognized the need to ensure that resources, through various forms of technical assistance, are aligned with and responsive to the evolving priorities and needs of the agency.



L-R: BSP Deputy Governor Chuchi G. Fonacier; BSP Governor Nestor A. Espenilla, Jr.; PCC Chairperson Arsenio M. Balisacan; PCC Chief-of-Staff Atty. Melbourne D. Pana

“This partnership is a strong push towards efficient regulatory approach concerning the banking and financial industries. BSP’s mandate is in promoting and maintaining stability in the monetary and financial system, while PCC’s obligation is in promoting free and fair competition.”

-PCC Chairperson Balisacan

Streamlining consolidation rules in financial sector

Among the partnerships the PCC forged is with the Bangko Sentral ng Pilipinas (BSP) through the execution of a Memorandum of Agreement (MOA) on December 22. The signing of the MOA, which was led by Chairperson Balisacan and BSP Governor Nestor A. Espenilla, marked the start of active cooperation between the two regulators in the enforcement of competition law in the country’s growing banking sector.

The BSP’s mandate is concerned with promoting and maintaining stability on the monetary and financial system, while PCC’s obligation is towards promoting free and fair competition. The partnership between the two agencies is for a strong push towards efficient regulatory approach concerning the banking and financial industry.

The BSP, being the country’s monetary authority, provides policy directions in the areas of money, banking, and credit. It supervises operations of banks and exercises regulatory powers over non-bank financial institutions with quasi-banking

functions. The PCC, being the new antitrust authority, is mandated to foster fair competition across all markets, including the banking industry.

Through this landmark partnership, both agencies aim to boost the detection, investigation, and prosecution of anti-competitive conduct in the banking and financial sectors. This can be achieved through the establishment of mechanisms for reporting or referring potential violations, as well as provisions on access to information and documents, which are essential for the effective and efficient exercise of the powers of the respective agencies.

The MOA is just the beginning of a potentially vibrant partnership between the two agencies, since the BSP and PCC are expected to come up with more sector-specific issuances that will address the complementarities in their functions. Under the MOA, the two agencies are expected to come up with regulations dealing with mergers and acquisitions of financial institutions in distress, and those institutions taking

part in BSP’s long-running consolidation program for rural banks.

With a crucial sector regulator as partner, the PCC expects that compliance with competition law and regulations to become the norm in the country’s banking sector, allowing it to become a responsible pillar of economic growth.

Cooperation Agreements of PCC with Government Agencies

- Memorandum of Agreement dated 20 November 2017 with the Commission on Audit, providing for cooperation mechanisms in the enforcement of competition law in the public sector, including the government procurement process
- Memorandum of Agreement dated 20 December 2017 with the Philippine Statistics Authority (PSA), providing for technical assistance to the PCC in accessing survey data, statistics, and other information in the custody of PSA
- Memorandum of Agreement dated 22 December 2017 with the Bangko Sentral ng Pilipinas (BSP), providing for interagency cooperation in the enforcement of competition law in the banking sector, particularly among BSP-supervised financial institutions

“A unified front in levelling the playing field, both in government and commercial transactions, will ultimately benefit consumers and the general public,”

-PCC Chairperson Balisacan



PCC Chairperson Arsenio Balisacan and Ombudsman Conchita Carpio-Morales lead an exploratory meeting on ferreting out bid-rigging, price fixing, and cartels in government procurement activities and projects.

United front set against bid-riggers, auction-fixers

With the lapse of the transitory period prescribed for the full effectivity of the PCA, the PCC is stepping up its game towards the enforcement of the country's first comprehensive antitrust legislation. Leaving no stone unturned, the PCC wants to ensure that the law is implemented not just among private businesses, but in the government as well. As such, the PCC has forged a partnership with the Office of the Ombudsman (OMB), aiming to build a solid campaign against bid-rigging, price-fixing, and cartels in government procurement activities and projects.

Chairman Balisacan highlighted the importance of having a unified front in levelling the playing field, both in government and commercial transactions, as it will ultimately benefit consumers and the general public.

While the Ombudsman has jurisdiction over corruption cases involving government officials, PCC is mandated to prohibit anti-competitive conduct and impose administrative penalties on violators.

Some areas where anti-corruption efforts converge with antitrust enforcement are bid-rigging cases, which are punishable under Section 14 of the PCA. In such a situation, the PCC may look into cases where market leaders bag large scale transactions, while government officials receive payoffs by providing cover for anti-competitive conduct.

Under the PCA, offenses involving anti-competitive conduct, such as bid-rigging, are punishable with penalties of up to P100 million for the first offense, and up to P250 million for the second offense, as well as imprisonment ranging from two years up to seven years.



Executive Director Gwen G. De Vera (L) joins top officials of other competition agencies for the 7th ASEAN Competition Conference.

Closer ties with ASEAN antitrust peers

The PCC joined competition authorities from the Asia-Pacific belt at the 7th Association of Southeast Asian Nations (ASEAN) Competition Conference in Selangor, Kuala Lumpur, Malaysia on March 7-10.

Deemed as the General Assembly for competition authorities from the member-states of the ASEAN, the conference served as a hub to advocate the development of Competition Policy and Law (CPL) within the region by encouraging the building of strong institutional and enforcement mechanisms.

The PCC is the youngest competition body in the Asia-Pacific, following the enactment of the PCA in 2015. In ASEAN, the Philippines was the second to the last of 10 countries to have passed and enacted a competition law, with Cambodia being the lone member-state still without competition law.



Partnerships for Competition Development

As a young agency, the PCC recognizes that it needs to build its capacity to detect, investigate and penalize anti-competitive conduct so that it can establish itself as a credible competition authority. Successful enforcement of competition law requires not only technical knowledge, but also experience and expertise. As it develops that expertise, the PCC draws on the accumulated wisdom and experience of peers and experts in more mature jurisdictions through various technical assistance.

In line with its Institutional Capacity Development Assistance Framework 2017-2019, the PCC continues to engage development partners, counterpart competition authorities, intergovernmental organizations, and academic institutions to equip officials and staff with the requisite knowledge and ability to effectively implement the PCA. With the support of the Asian Development Bank (ADB), the PCC established a dedicated Technical and Service Support Unit (TSSU) to coordinate and monitor the technical assistance from various development partners and ensure optimal use of resources.

With the PCC in the driver’s seat, development partners significantly contributed to the institutional strengthening of the agency through the following outcome areas:

- Enhanced knowledge, skills and capacity of PCC officials and staff on antitrust enforcement;
- Reinforced PCC’s pursuit of fostering a culture of competition through advocacy and capacity building;
- Developed systems through issuance of rules and procedures; and
- Established strong linkages with other competition authorities and international academic institutions and competition or antitrust networks.



FORUM ON COMPETITION IN DEVELOPING COUNTRIES

COMPETITION IN DEVELOPMENT: SPECIAL CONSIDERATIONS FOR DEVELOPING COUNTRIES?

COMPETITION POLICY AND THE QUALITY OF INSTITUTIONS

COMPETITION AGENCY EFFECTIVENESS IN DEVELOPING COUNTRIES

COMPETITION POLICY AND PUBLIC INTEREST CONSIDERATIONS

CONGLOMERATES AND COMPETITION POLICY

SMES AND COMPETITION POLICY

DISRUPTIVE INNOVATIONS AND COMPETITION POLICY

Featuring:



Frederic Jenny



Kim Sang-jo



Toh Han Li



Yasuyuki Sawada



Tony Fernandes

and many more!

The PCC is organizing the 2018 Manila Forum on Competition in Developing Countries (Manila Forum) on February 1-2, 2018. The inaugural event has as its theme “Theory and Practice of Competition Policy in Developing Countries.” The motivation for organizing the Manila Forum is to discuss the unique challenges in the enforcement of competition law, and to nuance such challenges within the economic, institutional and legal realities of developing countries such as the Philippines. The Manila Forum will serve as a platform for young competition authorities in Asia-Pacific to engage meaningfully in the global discourse on competition law and policy and to learn from the cross-cutting experiences of both developed and developing jurisdictions. With strong support from the academe and development community, the PCC is honored to have the University of the Philippines College of Law, ADB, ASEAN Secretariat, Organisation for Economic Co-operation and Development, Deutsche Gesellschaft für Internationale Zusammenarbeit, and the World Bank Group as institutional partners in this flagship event.

Structured around a series of plenary and panel discussions, the Manila Forum will feature eminent competition and development experts, prominent business leaders, high-level government officials, including competition experts from multilateral development agencies, professional societies, and academic institutions.



Competition Economics Training for Lawyers of the PCC, Office of the Solicitor General, DOJ-Office for Competition and National Prosecution Service with experts from the US Federal Trade Commission



Organisation for Economic Co-operation and Development-Korea Policy Centre-organized 7th Competition Workshop for Asia-Pacific Judges

Fostering culture of competition through advocacy, capacity building

The PCC recognizes that a vital part of its mandate is to complement competition law enforcement with advocacy. To be successful, competition policy relies on other actors playing their roles, including the government, the judiciary, civil society, the community of competition professionals, and the business community. With the support of development partners, the PCC continues to mainstream competition policy through various advocacy and capacity building programs designed to raise awareness of competition and promote a culture of competition and compliance. These outreach activities have also strengthened PCC's intra-government relations particularly with the Office of the Solicitor General, DOJ-OFC, and sector regulators.



Dr. Graciella Miralles Murciego, Senior Economist of the World Bank Group's Competition Policy Cluster conducted a workshop and series of discussions with PCC's Technical Working Group on Rules of Procedure particularly on Fines and Leniency.



OECD-Korea Policy Centre-supported Bilateral Seminar on Fines and Leniency with experts from the Competition and Consumer Commission of Singapore, Korea Fair Trade Commission, Japan Fair Trade Commission and OECD.



Crafting rules, procedures based on international best practices

To promote a culture of competition and compliance, the PCC has been developing rules and guidelines to provide clarity, transparency and certainty to market participants on how the PCA will be enforced. In support of the PCC's Technical Working Group, development partners deployed experts to provide perspective on international best practices on competition rules and procedures, as the PCC tailors them to Philippine context. The analytical support by development partners in the rule-writing exercise has contributed significantly in ensuring the issuance of the 2017 Rules of Procedure in time for the expiration of the PCA's transitory period.



Executive Director Gwen Grecia-De Vera actively participated in the 7th ASEAN Competition Conference 2017



GIZ-supported Brainstorming Meeting on the Essential Elements of the ASEAN Regional Cooperation Framework on Competition



PCC's active participation in the United Nations Conference on Trade and Development's 16th Session of the Intergovernmental Group of Experts on Competition Law and Policy

Joining international antitrust community

As the country's official representative in international competition matters, the PCC is enhancing its capacity to advance the Philippines' position and interests in different international fora. Development partners supported the participation of PCC officials and staff in intergovernmental meetings and international functions, providing an avenue for maintaining regular contacts and dynamic dialogue with the global competition community. Through these kinds of exposure in various networks and fora, the PCC has been able to build strong and direct linkages with its counterpart competition authorities, intergovernmental organizations, and international academic institutions, opening up more opportunities for learning and cooperation.



Institution Building



PCC officials and staff during one of the agency's teambuilding exercises

Despite only two years in existence, the PCC has made great strides in terms of building its systems and processes not just in accordance with best practices in government, but also in line with international standards employed by competition authorities in other jurisdictions.

The most notable achievement in this regard is in terms of human resources. Recognizing that the greatest asset of an organization is its human capital, PCC has employed the services of individuals who are highly regarded in their

respective fields. This is all the more crucial, considering that PCC handles matters which can make a huge dent in the lives of Filipinos.

At the end of 2017, PCC has filled up 144 plantilla positions, with another 17 staff engaged under a job order or contract of service. Of the total, there are a good number of lawyers and economists, majority of whom had experience working for the country's leading law firms and multinational companies. With competition law and policy being a new field of practice in the Philippines, PCC has likewise heavily

invested in capacitating its staff with the requisite knowledge and experience in addressing the technical matters being handled by the Commission.

In support of its goal of becoming a world class competition authority, the PCC has also commenced the development of its Quality Management System (QMS), which is part of its preparation for International Organization for Standardization (ISO) certification in 2018. The QMS provides a framework for assessing quality system performance, establishes public service quality

standards, and recognizes quality excellence among government organizations.

In line with the government's thrust to curb red tape and to facilitate the delivery of services, the PCC has released its Citizen's Charter. This document aims to inform its stakeholders of the agency's standard procedures and frontline services. The Commission is also one in efforts to promote transparency in government, with the promulgation of PCC's Freedom of Information Manual.

Human Resource Complement

As of December 31, the PCC has already filled up 72.5% of its approved plantilla positions.

Office	Plantilla Positions		
	Approved	Filled	Vacant
OTC/Commissioners	47	31	16
OCAMB	13	10	3
OCJRB	5	4	1
OCSAQ	5	4	1
OComm	5	0	5
OCACA	5	4	1
Legal/Adjudication	14	9	5
OED	6	4	2
AO	32	27	5
FPMO	27	20	7
CEO	26	15	11
MAO	26	20	6
EO	16	10	6
CKMO	20	17	3
Total	200	144	56

Budget Utilization

As of December 31, the PCC has obligated a total amount of P414,157,000 the breakdown of which is as follows:





Students of University of San Carlos – Cebu register for the National Roadshow on Competition Law and Policy, an advocacy campaign designed by PCC to help mainstream and popularize the Philippine Competition Act.



Officials from PCC and Land Transportation Franchising and Regulatory Board (LTFRB) meet to discuss real of possibilities in terms of collaboration with regard to enforcing competition in the public transportation sector.



PCC Commissioner Amabelle C. Asuncion addresses the business community and other stakeholders during the PCC 14th Anniversary in Manila.

PCC in Action



The PCC family, together with development partners and some representatives from the business community, gathered for the 14th anniversary of the establishment of the country's antitrust agency on February 1, 2014.



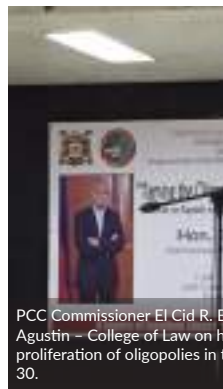
Department of Justice Assistant Secretary George Ortha (L), together with PCC officials (L-R: Quimbo, Balisacan, Bernabe, Asuncion) clarify to members of the press the implication of the end of the transitory period as speculated in the Philippine Competition Act.



PCC joins the launch of NEDA's Aksyon Para Sa Ambisyon: The Philippine Development Plan Expo. The PCC was instrumental in the inclusion of a competition chapter in the country's development plan, a first in the country's socio-economic planning history.



Representatives of competition authorities across the ASEAN share knowledge and ideas to aid in developing a Regional Cooperation Framework (RCF) that will help competition authorities come up with solutions to issues that are regional in nature during a seminar-workshop held in Manila.



PCC Commissioner El Cid R. Bernabe addresses the business community during the PCC 14th Anniversary in Manila.



Commission responds to questions from members of the public on the draft PCC Merger Procedure on August 14, 2015.



The PCC, in partnership with the World Bank Group, conducted a moot court exercise that enhanced the skills of PCC lawyers, economists, and other staff in pursuing legal strategies for competition cases.



Members of the public and private sector, celebrate the one-year anniversary of the PCC of Oro.



The PCC, in partnership with the Office of the Solicitor General, conducted a seminar on competition law enforcement. The 2-day seminar was held on November 14-15 in Pasig City.



Representatives from the food and beverage (F&B) industry shared the state of competition in their sector in a Stakeholder Engagement initiated by the PCC.



USA Ambassador enlightens students of the University of San Francisco on how the Philippine Competition Act can restrict the competition in the country during a public forum held in Iloilo City on June 11, 2015.



PCC Commissioner Stella Luz A. Quimbo details collaborative avenues on the judicial enforcement of the Philippine Competition Act among the PCC and other government regulators during a seminar held on March 29 in Pasig City.



PCC Commissioner Johannes Benjamin R. Bernabe highlights the salient points of Republic Act No. 10667 and their positive effects on the economy during the Public Forum on the Philippine Competition Act held on March 23-24 in Makati City.

Looking Ahead

Enforcement

To remain true to its mandate of improving market efficiency and enhancing consumer welfare, the PCC shall continue to develop its enforcement strategies by focusing on pro-active investigations, on industries with significant impact on consumers, and effective monitoring mechanisms.

The PCC is keeping tabs of the sectors that have a huge impact on the economy and the public. The agency also is ensuring that it can address the concerns of its stakeholders and promote transparency in its processes by improving its rules and guidelines. The PCC is introducing a **Leniency Program** to encourage voluntary disclosure of information in exchange for immunity or reduction of fines. The **Rules on Forbearance** for the guidance of businesses as well as the **Rules on Inspection in Administrative Investigations** are being drawn up to strengthen its enforcement capabilities.

Mergers & Acquisitions

In line with its mandate to promote competition in the market for goods and services, the PCC is ensuring delivery of timely and impartial review, investigation, and evaluation of M&As.

To encourage investments and promote ease of doing business in the Philippines, the PCC is formulating guidelines to streamline the review process and help businesses operate in a way that ensures efficient allocation of the economy's resources. These shall include **adjustments to the notification thresholds, guidelines on early termination of cases, and an exemption circular to merger notifications.**

Further, the PCC will issue rules and guidelines on certain issues, such as those arising from joint ventures (JV), public-private partnerships (PPP), and possible remedies under the PCA.

Policy Research

In order to gain a complete understanding of various industries, the PCC has launched studies, which the Commission calls “*Issues Papers*.” Done with the help of experts and consultants, these studies shall examine the competitive landscape of an industry and explore potential competition-related issues that arise from industry practices or regulations.

The PCC has chosen several priority sectors, namely, rice, meat and poultry, pharmaceuticals, land transportation, air transportation, rural finance, digital commerce, retail, and telecommunications. Moving forward, these issues papers will help the Commission prioritize enforcement action in terms of addressing the competition-related concerns in certain sectors. These studies will also be key in enabling the PCC to perform its advocacy role, helping shape pro-competitive regulations across different industries.

Institution Building

PCC will invest in its staff to capacitate them towards a more effective competition enforcement and advocacy.

To this end, the PCC intends to engage its development partners to help in the agency’s internal capacity building initiatives. One of the key projects anticipated is a multiyear project with the Asian Development Bank (ADB), in line with the latter’s desire to help improve the competition climate in the Philippines. This program aims to strengthen PCC’s institutional capacity, as it will provide trainings not just for PCC staff but for those of other government agencies as well. Moreover, the planned program covers the establishment of an academic center of excellence in competition law and economics.

To ensure delivery of excellent service to the public, PCC will also develop an operations manual for all its offices, as well as a roadmap on quality management. These improvements in its internal processes will help PCC attain ISO 9001:2015 certification. Ultimately, the strengthened capacity of PCC will aid in its unyielding desire to be of service to Filipino consumers.

Advocacy

Leveling the playing field is now at the forefront of the national development agenda. PCC will work with the National Economic and Development Authority in developing a National Competition Policy (NCP). While ensuring compliance of business is paramount, the NCP also intends to advocate pro-competitive government policies by encouraging agencies to assess the competition impact of their initiatives and consider alternative options to reduce any adverse effect on competition.

In 2018, PCC will roll out its strategic quad-media advocacy campaign targeted to engage different stakeholders. It will also strengthen external relationships towards the development of “Competition Champions” and create linkages with a greater number of key institutions within the government and the development community. Collaborating with the academic community is one of PCC’s top priorities in order to enrich the knowledge base on competition and create a steady stream of local competition professionals. PCC will work with various faculties of law and economics to catalyze the development of competition courses and generate research interest in competition.

Lastly, as a flagship activity and contribution to the international competition arena, PCC will hold the 2018 Manila Forum on Competition in Developing Countries in February. This event will feature eminent competition and development experts, prominent business leaders, high-level government officials, including law and economics experts from multilateral development agencies, think tanks, professional societies, and academic institutions.



**“AS THE PCC TAKES INITIAL STEPS TOWARD
A MORE LEVEL PLAYING FIELD, ONE OF
THE MOST IMPORTANT CHALLENGES IS
ESTABLISHING A BROAD SUPPORT NOT ONLY
AMONG INDUSTRY PLAYERS AND FELLOW
REGULATORS, BUT ALSO FROM THE PUBLIC,
WHO, ULTIMATELY, WILL BENEFIT FROM
GREATER COMPETITION IN THE COUNTRY.”**

Chairman Arsenio M. Balisacan



Financial Reports

STATEMENT OF FINANCIAL POSITION

Fund 01

(In Philippine Peso)

As of December 31, 2017

	2016	2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	<u>877,026.74</u>	<u>3,309,136.58</u>
Cash on Hand	<u>200,000.00</u>	<u>68,534.35</u>
Cash - Collecting Officers		-
Party Cash	200,000.00	68,534.35
Cash in Bank - Local Currency	<u>370,154.74</u>	<u>3,020,802.23</u>
Cash in Bank - Local Currency, Current Account	360,154.74	292,708.35
Cash in Bank - Local Currency, Savings Account	10,000.00	2,728,093.88
Treasury/Agency Cash Accounts	<u>506,872.00</u>	<u>220,000.00</u>
Cash - Treasury/Agency Deposit, Regular		-
Cash - Treasury/Agency Deposit, Trust	506,872.00	220,000.00
Cash - Modified Disbursement System (MDS), Regular		-
Cash - Modified Disbursement System (MDS), Special Account		-
Cash - Modified Disbursement System (MDS), Trust		-
Cash - Tax Remittance Advice		-
Receivables	<u>23,501,821.87</u>	<u>7,656,220.81</u>
Inter-Agency Receivables	<u>23,265,881.51</u>	<u>7,434,596.80</u>
Due from National Government Agencies	29,250.14	5,172,024.13
Due from Government-Owned and/or Controlled Corporations	23,236,631.17	2,262,571.87
Other Receivables	<u>235,940.56</u>	<u>221,624.81</u>
Due from Officers and Employees	207,840.56	221,624.81
Other Receivables	28,100.00	-
Inventories	<u>132,674.62</u>	<u>283,950.31</u>
Inventory Held for Consumption	<u>132,674.62</u>	<u>283,950.31</u>
Office Supplies Inventory	131,201.98	282,459.99
Other Supplies and Materials Inventory	1,472.64	1,490.32
Other Current Assets	<u>1,911,583.82</u>	<u>23,664,790.97</u>
Advances	<u>-</u>	<u>4,020,793.58</u>
Advances for Operating Expenses		2,000.00
Advances for Payroll		-
Advances to Special Disbursing Officer		-
Advances to Officers and Employees		1,260,958.13
Advances to Contractors		2,757,835.45
Prepayments	<u>1,711,583.82</u>	<u>10,469,204.99</u>
Prepaid Rent	-	9,696,982.40
Other Prepayments	1,711,583.82	772,282.59
Deposits	<u>200,000.00</u>	<u>9,174,642.40</u>
Guaranty Deposits	200,000.00	9,174,642.40
Total Current Assets	<u>26,423,107.05</u>	<u>34,914,208.67</u>

NON-CURRENT ASSETS**Property, Plant and Equipment****Semi-Expendable Machinery**

Semi-Expendable Other Machinery and Equipment

Machinery and Equipment

Machinery

Accumulated Depreciation - Machinery

Net Value

Office Equipment

Accumulated Depreciation - Office Equipment

Net Value

Information and Communication Technology Equipment

Accumulated Depreciation - Information and Communication Technology Equipment

Net Value

Communication Equipment

Accumulated Depreciation - Communication Equipment

Net Value

Transportation Equipment

Motor Vehicles

Accumulated Depreciation - Motor Vehicles

Net Value

Furniture, Fixtures and Books

Furniture and Fixtures

Accumulated Depreciation - Furniture and Fixtures

Net Value

Books

Accumulated Depreciation - Books

Net Value

Intangible Assets**Intangible Assets**

Computer Software

Accumulated Amortization - Computer Software

Net Value

Development in Progress - Computer Software

Total Non-Current Assets**TOTAL ASSETS**

	6,189,054.73	31,350,787.81
	-	-
	6,095,049.73	14,939,812.18
		71,980.00
		7,198.00
		64,782.00
	17,064.53	210,337.53
	2,047.74	20,558.85
	15,016.79	189,778.68
	6,096,094.40	16,714,177.51
	44,248.96	2,046,863.50
	6,051,845.44	14,667,314.01
	34,186.67	34,186.67
	5,979.17	16,229.17
	28,187.50	17,937.50
	65,505.00	15,653,843.61
	74,437.50	16,696,822.50
	8,932.50	1,042,978.89
	65,505.00	15,653,843.61
	28,500.00	757,132.01
	30,000.00	805,307.00
	1,500.00	116,812.44
	28,500.00	680,394.56
		74,170.00
		6,332.55
		67,837.45
	-	1,395,175.09
	-	1,395,175.09
		1,027,572.59
		80,530.00
		947,042.59
		448,132.50
	6,189,054.73	32,745,962.90
	32,612,161.78	67,640,171.87

LIABILITIES**CURRENT LIABILITIES****Financial Liabilities****Payables**

Accounts Payable

Due to Officers and Employees

Tax Refund Payable

Inter-Agency Payables**Inter-Agency Payables**

Due to BIR

Due to GSIS

Due to Pag-IBIG

Due to PhilHealth

Due to GOCCs

Trust Liabilities**Trust Liabilities**

Trust Liabilities

Guaranty/Security Deposits Payable

Other Payables**Total Current Liabilities****TOTAL LIABILITIES****NET ASSETS / EQUITY****EQUITY****Government Equity****Government Equity**

Accumulated Surplus/(Deficit)

TOTAL NET ASSETS / EQUITY

	6,118,044.23	747,758.82
	6,118,044.23	747,758.82
	4,724,705.35	217,995.69
	543,241.23	528,786.84
	850,099.65	976.29
	9,886,271.61	305,419.19
	9,886,271.61	305,419.19
	-	0.17
	558.12	1,313.66
		600.00
		237.50
	9,886,829.90	320,833.35
	306,872.00	3,109,309.54
	306,872.00	3,109,309.54
	306,872.00	2,900,899.20
		208,410.34
	10,677.15	10,677.15
	16,321,864.89	4,173,164.70
	16,321,864.89	4,173,164.70
	16,290,296.79	63,487,006.87
	16,290,296.79	63,487,006.87
	16,290,296.79	63,487,006.87
	16,290,296.79	63,487,006.87

STATEMENT OF FINANCIAL PERFORMANCE

Fund 01

(In Philippine Peso)

As of December 31, 2017

REVENUE

Service and Business Income	-	17,086,229.43
Processing Fees		17,081,194.75
Interest Income		2,694.68
Miscellaneous Income		2,340.00
Total Revenue	-	17,086,229.43

EXPENSES

Current Operating Expenses

Personnel Services

Salaries and Wages	34,055,078.36	100,654,159.21
Salaries and Wages - Regular	34,055,078.36	100,654,159.21
Other Compensation	6,760,358.37	18,825,245.91
Personal Economic Relief Allowance (PERA)	558,863.63	3,115,522.41
Representation Allowance (RA)	1,009,250.00	2,322,375.00
Transportation Allowance (TA)	1,009,250.00	1,864,738.64
Clothing/Uniform Allowance	35,000.00	640,000.00
Overtime and Night Pay	139,065.74	595,207.46
Year End Bonus	3,573,429.00	8,953,652.40
Cash Gift	179,000.00	670,750.00
Other Bonuses and Allowances	256,500.00	663,000.00
Personnel Benefit Contributions	4,228,700.51	12,890,699.74
Retirement and Life Insurance Premiums	4,077,870.40	12,080,749.74
Pag-IBIG Contributions	30,800.00	151,200.00
PhilHealth Contributions	89,943.75	506,250.00
Employees Compensation Insurance Premiums (ECIP)	30,086.36	152,500.00
Other Personnel Benefits	47,328.35	3,625,165.58
Terminal Leave Benefits	47,328.35	3,625,165.58
Total Personnel Services	45,091,465.59	135,995,270.44

Maintenance and Other Operating Expenses		
Traveling Expenses	90,742.65	12,417,023.86
Traveling Expenses - Local		2,521,572.20
Traveling Expenses - Foreign	90,742.65	9,895,451.66
Training and Scholarship Expenses	10,000.00	4,495,020.49
Training Expenses	10,000.00	4,495,020.49
Supplies and Materials Expenses	616,742.11	3,709,662.68
Office Supplies Expenses	276,437.91	2,099,190.37
Medical, Dental and Laboratory Supplies Expenses		1,754.85
Fuel, Oil and Lubricants Expenses		391,464.76
Semi-Expendable Machinery and Equipment Expenses	319,208.84	131,900.00
Other Supplies and Materials Expenses	21,095.36	1,085,352.70
Utility Expenses	-	717,345.62
Water Expenses		8,018.00
Electricity Expenses		709,327.62
Communication Expenses	402,569.87	1,636,900.77
Postage and Courier Services		87,597.58
Telephone Expenses	240,569.87	901,303.19
Internet Subscription Expenses	162,000.00	648,000.00
Awards/Rewards and Prizes	-	45,000.00
Awards/Rewards Expenses		45,000.00
Survey, Research, Exploration and Development Expenses	199,000.00	5,492,287.49
Survey Expenses	199,000.00	2,594,500.00
Research, Exploration and Development Expenses		2,897,787.49
Confidential, Intelligence and Extraordinary Expenses	1,105,400.00	1,701,000.00
Extraordinary and Miscellaneous Expenses	1,105,400.00	1,701,000.00
Professional Services	1,176,398.92	8,873,611.91
Legal Services	855,565.59	1,200.00
Consultancy Services		840,000.00
Other Professional Services	320,833.33	5,805,453.41
Security Services		780,292.02
Other General Services		1,446,666.48
Repairs and Maintenance	-	26,022.05
Repairs and Maintenance - Transportation Equipment		26,022.05
Taxes, Insurance Premiums and Other Fees	18,688.53	6,454.46
Taxes, Duties and Licenses	18,688.53	6,454.46
Other Maintenance and Operating Expenses	10,745,688.58	35,945,540.18
Fidelity Bond Premiums	35,250.00	100,169.50
Insurance Expenses		187,084.95
Advertising Expenses		3,019,974.75
Printing and Publication Expenses		767,329.10
Representation Expenses	33,317.22	8,224,411.03
Rent/Lease Expenses	10,460,620.98	20,213,862.56
Membership Dues and Contributions to Organizations		33,400.00
Subscription Expenses	213,386.34	3,345,339.21
Other Maintenance and Operating Expenses	3013.04	53,969.08
Transportation and Delivery Expenses	101.00	
Total Maintenance and Operating Expenses	14,365,230.66	75,065,869.51

Financial Expenses		
Financial Expenses	2,376.48	-
Bank Charges	2,376.48	
Non-Cash Expenses		
Depreciation	62,708.37	3,193,465.03
Depreciation - Machinery and Equipment	52,275.87	2,038,573.65
Depreciation - Transportation Equipment	8,932.50	1,034,046.39
Depreciation - Furniture, Fixtures and Books	1,500.00	120,844.99
Amortization	-	80,530.00
Amortization - Intangible Assets		80,530.00
Total Non-Cash Expenses	65,084.85	3,273,995.03
Total Current Operating Expenses	59,521,781.10	214,335,134.98
Surplus (Deficit) from Current Operations	- 59,521,781.10	- 197,248,905.55
Financial Assistance/Subsidy from NGAs, LGUs, GOCCs		
Assistance and Subsidy	75,750,310.18	282,493,954.23
Subsidy from National Government	75,750,310.18	282,493,954.23
SURPLUS (DEFICIT) FOR THE PERIOD	16,228,529.08	85,245,048.68

STATEMENT OF CASH FLOW

Fund 01

(In Philippine Peso)

As of December 31, 2017

Cash Flows From Operating Activities

Cash Inflows

Receipt of Notice of Cash Allocation	232,268,921.00	453,286,900.62
Receipt of Tax Remittance Advice	10,134,203.30	28,774,523.35
Collection of Income/Revenues	-	17,063,974.24
Receipt of Assistance and Subsidy from Other NGAs, LGUs, GOCCs	-	-
Collection of Receivables	-	-
Receipt of Inter-Agency Fund Transfers	-	158,905.25
Receipt of Intra-Agency Fund Transfers	-	-
Trust Receipts	306,872.00	2,998,336.30
Other Receipts	63,900.99	1,157,411.73
Adjustment	-	14,070.50
Total Cash Inflows	242,773,897.29	503,454,121.99

Cash Outflows

Remittance to National Treasury	63,900.99	18,304,602.28
Cash Remitted for Withholding Taxes through TRA	10,134,203.30	28,774,523.35
Payment of Expenses	30,651,125.20	165,031,331.17
Liquidation of Petty Cash Fund	-	200,000.00
Purchase of Inventories held for consumption	369,735.89	505,552.15
Grant of Cash Advances	118,842.65	15,430,085.47
Prepayments	1,017,142.70	22,376,135.37
Payments of Accounts Payables	-	9,329,389.94
Remittance of Personnel Benefit Contributions and Mandatory Deductions	7,576,631.15	3,012,119.05
Grant of Financial Assistance/Subsidy	-	-
Release of Inter-Agency Fund Transfers	23,265,881.31	6,503,912.97
Release of Intra-Agency Fund Transfers	-	-
Other Disbursements	-	1,165,819.08
Reversal of Utilized NCA	166,652,814.12	199,567,469.74
Adjustments	-	144,055.00
Total Cash Outflows	239,850,277.31	470,344,995.56

Net Cash Provided by (Used in) Operating Activities

2,923,619.98 **33,109,126.43**

Cash Flows from Investing Activities

Cash Inflows

Proceeds from Sale of Investment Property	-	-
Proceeds from Sale/Disposal of Property, Plant and Equipment	-	-
Sale of Investments	-	-
Receipt of Cash Dividends	-	-
Proceeds from Maturity/Return of Investments	-	-
Collection of Long-Term Loans	-	-
Proceeds from Sale of Other Assets	-	-
Total Cash Inflows	-	-

Cash Outflows		
Purchase/Construction of Investment Property	-	-
Purchase/Construction of Property, Plant and Equipment	2,046,593.24	29,209,655.31
Investments	-	-
Purchase of Intangible Assets	-	1,467,161.27
Grant of loans	-	-
Total Cash Outflows	2,046,593.24	30,676,816.58
Net Cash Provided By (Used In) Investing Activities	-2,046,593.24	-30,676,816.58
Increase (Decrease) In Cash and Cash Equivalents	877,026.74	2,432,309.84
Cash and Cash Equivalents, January 1, 2017	-	877,026.74
Cash and Cash Equivalents, December 31, 2017	877,026.74	3,309,336.58

Auditor's Opinion



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City
NATIONAL GOVERNMENT SECTOR
Cluster 1 – Executive Offices

INDEPENDENT AUDITOR'S REPORT

The Chairman

Philippine Competition Commission
2nd Floor, DAP Building, San Miguel Avenue, Ortigas Center
Pasig City

Opinion

We have audited the financial statements of Philippine Competition Commission, which comprise the statement of financial position as at December 31, 2017, and 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, 2017, 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 Philippine Public Sector Accounting Standards (PPSASs).

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PPSASs, and for such internal control as management

determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

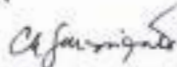
Auditor's Responsibilities for the Audit of the Financial Statements

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 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.

Our audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risk of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the agency's preparation and fair presentation of the financial statements 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. Our audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

COMMISSION ON AUDIT

By:



CARIDAD A. SARMIENTO

Supervising Auditor
Audit Group NGS-A-OP

March 19, 2018



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