

**SOS POLITICAL SCIENCE AND
PUBLIC ADMINISTRATION**

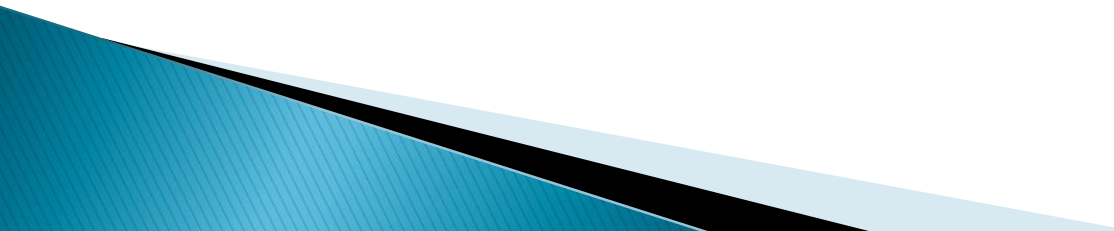
MBA FA 203

**SUBJECT NAME:
BUSINESS ENVIRONMENT**

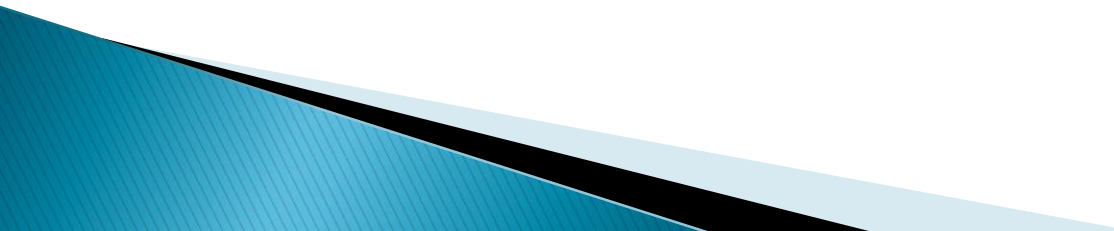
TOPIC NAME: MRTP ACT 1969



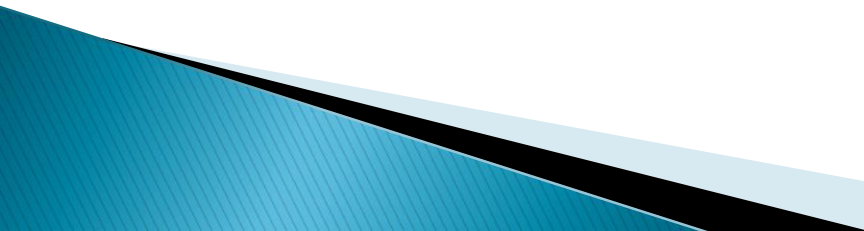
MRTTP ACT 1969:

- ▶ The Monopolies and Restrictive Trade Practices(MRTP) Act, 1969, aims at preventing concentration of economic power in the hands of few business houses. The Act provides for control of monopolies, probation of monopolistic, restrictive and unfair trade practice and protection of consumer interests. Premises on which the MRTP Act rests are unrestrained interaction of competitive forces, maximum material progress through rational allocation of economic resources, availability of goods and services of quality at reasonable prices and finally a just and fair deal to the consumers.
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Monopolistic trade practice:

- ▶ Monopolistic trade practice is that which represents abuse of market power in the production and marketing of goods and services by eliminating potential competitors from market and taking advantage of the control over the market by charging unreasonably high prices, preventing or reducing competition, limiting technical development, deteriorating product quality or by adopting unfair or deceptive trade practices.
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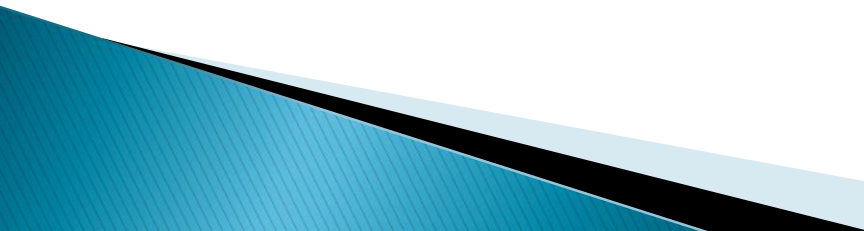
Unfair Trade Practice:

- ▶ Misleading advertisement and False Representation
 - ▶ Falsely representing that goods and services are of a particular standard, quality, grade, composition or style.
 - ▶ Falsely representing any second hand renovated or old goods as new.
 - ▶ Representing that goods or services, seller or supplier have a sponsorship, approval or affiliation which they do not have.
 - ▶ Making a false or misleading representation concerning need for, or usefulness of goods or services.
 - ▶ Giving to public any warranty, guarantee of performance that is not based on an adequate test or making to public a representation which purports to be such a guarantee or warranty.
 - ▶ False and misleading claims with respect to the price of goods or services.
 - ▶ Giving false or misleading facts disparaging the goods, services or trade of another person or concern.
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Restrictive Trade Practice:

- ▶ To maximize profits and market power, traders often attempt to indulge in certain trade practices which tend to obstruct the flow of capital into the stream of production. It may also bring manipulation of prices or conditions of delivery or affect the flow of supplies in the market so as to impose unjustified costs.

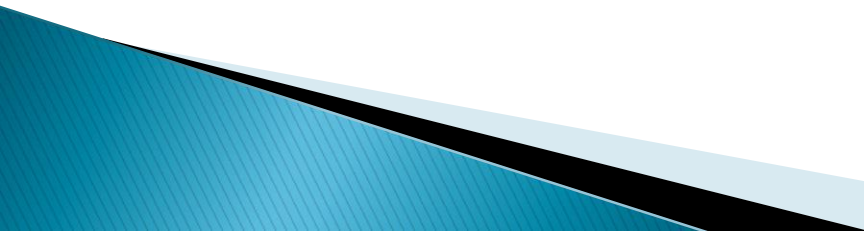
AIM OF MONOPOLISTIC AND RESTRICTIVE TRADE PRACTICES (MRTP) ACT, 1969:

- ▶ Prevention of concentration of economic power to the common detriment.
 - ▶ Control of monopolies.
 - ▶ Prohibition of Monopolistic Trade Practices (MTP).
 - ▶ Prohibition of Restrictive Trade Practices (RTP).
 - ▶ Prohibition of Unfair Trade Practices (UTP).
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THE ACT HAS THREE AREAS OF REGULATORY PROVISIONS:

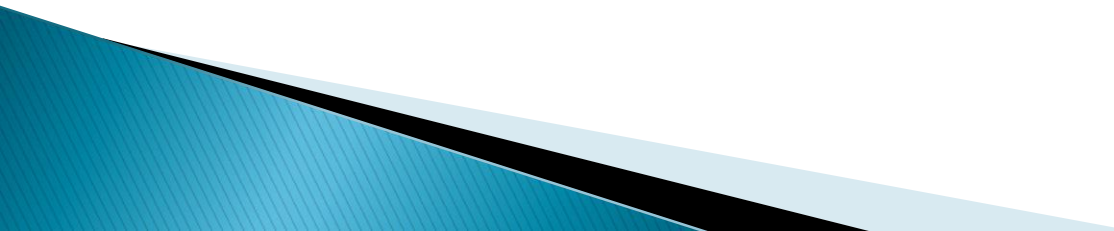
- ▶ Concentration of economic Power, Competition Law and Consumer Protection. The MRTP Act 1969 came up to ensure that there is no concentration of economic power at a single place. Besides it also checked the restrictive, monopolistic and restrictive trade practices.
- ▶ The main body to monitor this act is MRTP Commission that has right to inquire into any complaint that is related to monopolistic trade practice and is also having right for recommending any concrete plans for making any action to the central government. The MRTP is the only body that has the right to inquire, cease or award compensation in case there are some restrictive and unfair trade practices being practiced.

THE MRTP ACT EXTENDS TO THE WHOLE OF INDIA EXCEPT JAMMU AND KASHMIR. THIS DOES NOT APPLY TO FOLLOWING (UNLESS SPECIFICALLY STATED BY THE CENTRAL GOVERNMENT):

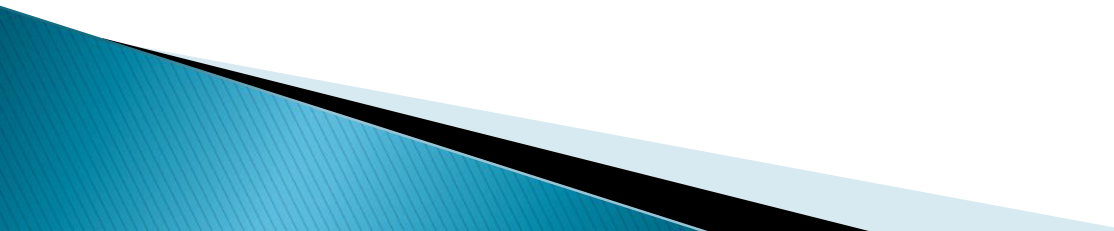
- ▶ Any undertaking owned or controlled by the Government Company,
 - ▶ Any undertaking owned or controlled by the Government,
 - ▶ Any undertaking owned or controlled by a Corporation, not being a company established by or under any Central, Provincial or State Act,
 - ▶ Any Trade Union or other Association of Workmen or Employees formed for their own reasonable protection as such workmen or employees,
 - ▶ Any undertaking engaged in an industry, the management of which has been taken over by any person or body of persons under powers by the Central Government,
 - ▶ Any undertaking owned by a Co-operative Society formed and registered under any Central, Provincial or State Act, any Financial Institution.
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- ▶ With the new economic reforms introduced in 1991, the Monopolistic and Restrictive Trade Practices (MRTP) Act, 1969 was duly amended. In the context of the New Economic Policy Paradigm, India has chosen to enact a new competition law called the Competition Act, 2002 (Act, for brief). The Monopolistic and Restrictive Trade Practices (MRTP) Act, 1969 has metamorphosed into the new law, Competition Act, 2002. The new law is designed to repeal the extant MRTP Act.

COMPETITION ACT 2002:

- ▶ The Act prohibits anti-competitive agreements, abuse of dominant position by enterprises and regulates combinations (acquisition, acquiring of control and Merger and acquisition), which causes or likely to cause an appreciable adverse effect on competition within India.
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OBJECTIVES:

- ▶ Establish a Commission to prevent practices having adverse effect on competition.
 - ▶ Promote and sustain competition in markets.
 - ▶ Protect the interests of consumers.
 - ▶ Ensure freedom of trade in the Indian markets *Ambit*.
 - ▶ Regulates anti-competitive agreements.
 - ▶ Regulates abuse of dominant position.
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MRTP V/S COMPETITION ACT 2002

| MRTP Act 1969 | Competition Act 2002 |
|---|--|
| <ul style="list-style-type: none">▪ Competition offences implicit are not defined. | <ul style="list-style-type: none">▪ Competition offences explicit are defined. |
| <ul style="list-style-type: none">▪ Complex in arrangement and language. | <ul style="list-style-type: none">▪ Simple in arrangement and language and easily comprehensible. |
| <ul style="list-style-type: none">▪ 14% offences neglecting the principles of natural justice. | <ul style="list-style-type: none">▪ 4% offences and all the rest subjected to rule of reason. |
| <ul style="list-style-type: none">▪ Frowns upon dominance. | <ul style="list-style-type: none">▪ Frowns upon abuse of dominance. |
| <ul style="list-style-type: none">▪ No combinations regulation. | <ul style="list-style-type: none">▪ Combinations regulated beyond a high threshold limit. |
| <ul style="list-style-type: none">▪ No penalties for offences. | <ul style="list-style-type: none">▪ Penalties for offences. |
| <ul style="list-style-type: none">▪ Reactive and rigid. | <ul style="list-style-type: none">▪ Proactive and flexible. |
| <ul style="list-style-type: none">▪ Unfair trade practices covered. | <ul style="list-style-type: none">▪ Unfair trade practices omitted (consumer forum will deal with them). |
| <ul style="list-style-type: none">▪ Does not vest MRTP Commission to inquire into cartels of foreign origin in a direct manner. | <ul style="list-style-type: none">▪ Competition Law seeks to regulate them. |
| <ul style="list-style-type: none">▪ Concept of 'Group' Act had wider importance and was unworkable. | <ul style="list-style-type: none">▪ Concept has been simplified. |