

Competition - Pakistan

Competition Commission investigates CNG associations

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The compressed natural gas (CNG) sector is an important part of the national economy. The Natural Gas Allocation and Management Policy of Pakistan places CNG fifth in priority for supply of natural gases, while the CNG sector takes approximately 9% of the total natural gas resource. The total investment made in CNG is around PRs80 billion, and according to one estimate it has created 50,000 jobs. Over 2.85 million vehicles currently run on CNG, which accounts for approximately 35% of all vehicles in Pakistan.

In its December 2012 meeting the Competition Commission appointed a committee to conduct an enquiry into whether CNG associations or their members are engaged in anti-competitive practices (eg, taking decisions on the production, pricing and provision of goods and services and other similar commercial matters) in violation of Section 4 of the Competition Act 2010. The commission also authorised a team of officers to conduct a search and inspection of the premises of the All Pakistan CNG Association, the CNG Dealers Association and the CNG Station Owner Association of Pakistan under Section 34 of the act. The enquiry committee was also given the task of reviewing the policy framework in the CNG sector in order to identify policy distortions (if any) that are preventing, restricting or reducing competition in the market.

The enquiry was initiated after several sources voiced their suspicions on the collusive role of CNG associations in the industry. Although the Oil and Gas Regulatory Authority (OGRA) has – with the approval of the federal government – set CNG prices, it was alleged that CNG associations have been actively negotiating with the federal government and OGRA on behalf of CNG station owners to set a price of their choosing.

According to a press release, the search and inspection was conducted by the authorised officers in Islamabad and Karachi. Certain documents from the premises of the associations have been impounded and are being scrutinised by the enquiry committee, whose findings will be submitted to the commission.

The issues before the commission are as follows:

- What is the role of CNG associations in negotiating a price with the federal government and OGRA on behalf of CNG stations?
- Many CNG stations have closed across the country, causing immense hardship to consumers. The commission must decide whether this boycott is an individual decision of member undertakings or a collective withdrawal of services through associations to get their demands fulfilled.

In light of negotiations taking place between the CNG associations and the government on price fixing and the withdrawal of services by various gas stations which led to the current CNG shortage crisis, the commission is of the view that if it is proven that the crisis was caused by a collective boycott organised by CNG associations or competing undertakings (eg, CNG licensees) for economic advantage – which has resulted in increased pressure on competitors, suppliers and buyers – such conduct may fall within the purview of Section 4 of the act.

The enquiry committee has eight weeks to submit its report to the commission.

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