

Competition & Antitrust - Pakistan

Competition Commission wins World Bank Competition Advocacy Contest

Contributed by [Vellani & Vellani](#)

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Introduction

Pakistan International Airlines Hajj Fare Contest

Introduction

The Competition Commission of Pakistan recently issued several policy notes to various government departments and regulatory bodies (for further details please see "[Recent Competition Commission policy notes](#)"). In March 2014 the commission's efforts in sensitising the government and regulatory bodies to potential competition concerns were recognised and commended by the World Bank. The commission won the World Bank Competition Advocacy Contest 2013 in the category of "Successfully promoting pro-competition market reforms, opening of markets, and infusion of competition principles in other sectoral policies" for conducting advocacy to increase competition in Pakistan's air transportation market on the route between Pakistan and Mecca, Saudi Arabia.

Pakistan International Airlines Hajj Fare

The matter first came to the forefront in the 2009 *Pakistan International Airlines Hajj Fare* case, during which the commission observed that the 1972 bilateral air services agreement between Pakistan and Saudi Arabia created a duopoly in the operation of direct scheduled air services between Pakistan and Saudi Arabia by granting exclusive rights to operate direct routes to Pakistan International Airlines (PIA) and Saudi Airlines (SV). The commission also noted that the agreement:

- provided for the establishment of airfares pursuant to mutual consultations between the two airlines, which had a particular impact during *Hajj* (the annual Islamic pilgrimage to Mecca);
- divided the market between PIA and SV;
- provided for the payment of royalties by PIA to SV for carrying pilgrims in excess of its allocated 50% quota (the cost of which was then spread among all PIA-flying pilgrims by way of a higher tariff);
- created uncompetitive pricing and services; and
- suppressed consumer choice.

In its PIA Hajj Fare Order, the commission held that since the agreement was between two sovereign states – which were not 'undertakings' under the Competition Ordinance 2009 then in force – corrective action could not be initiated under the ordinance.

Therefore, in 2010 the commission issued a policy note to the Pakistani government, recommending that the agreement be amended to:

- remove the above concerns by allowing multiple airlines of both countries to operate direct scheduled services and *Hajj* services between the two countries;
- abolish any market division, quotas and payment of royalties; and
- allow market forces to determine ticket prices without interference from either country's aviation authority or airlines.

The commission's recommendations were implemented by the Civil Aviation Authority of Pakistan, resulting in new airlines entering the market and a decrease in the cost of air travel for consumers.

Contest

The aim of the World Bank contest is to showcase the role of competition agencies in promoting competition in developing and emerging markets. The winners of the contest will present their stories at the World Bank Group headquarters in Washington DC and their stories will also be featured in a World Bank Group publication.

Authors

[Samiya Fikree](#)



[Ferzeen E Bhadha](#)



For further information on this topic please contact [Samiya Fikree](#) or [Ferzeen Bhadha](#) at Vellani & Vellani by telephone (+92 21 3580 1000), fax (+92 21 3580 2120) or email (samiya.fikree@vellani.com or ferzeen.bhadha@vellani.com). The Vellani & Vellani website can be accessed at www.vellani.com.

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