



Decision of the Competition Commission

CCM/DS/0030/63

Non-Confidential

**Application for immunity under the Amnesty
Programme for Resale Price Maintenance**

by

Scott Health Ltd

21 June 2019

Competition Commission

Decision of the Competition Commission (the 'Commission') on the application made by Scott Health Ltd for immunity under the Amnesty Programme for Resale Price Maintenance.

THE COMMISSION –

Mrs. M. Rajabally - Commissioner,
Mr. C. Seebaluck - Commissioner,
Mrs. V. Bikhoo - Commissioner,

Having regard to the Competition Act 2007,

Having regard to the Competition Commission Rules of Procedure 2009,

Having regard to the Undertakings given by Scott Health Ltd on 06 November 2018,

Having regard to a report of the Executive Director of the Commission (the 'Executive Director') dated 15 February 2019 on the Undertakings given by Scott Health Ltd,

We, Commissioners, decide as follows:

Introduction

- 1.0 This Decision relates to an application for immunity dated 29 September 2017 made by Scott Health Ltd (the Applicant), through its Head of Commercial, Ms Gabrielle Haldwach and another such application made on 20 October 2017 jointly by its three subsidiaries, Bagatelle Health Ltd (BHL), Grand Baie Forme Health Ltd (GBHL) and Riverside Health Ltd (RHL) through their Head of Retail, Mr Pramod Kulpoo, pursuant to the Competition Commission's Amnesty Programme for Resale Price Maintenance (RPM) prescribed under paragraph 5.6A of CCM3 Guidelines on Collusive Agreements. As part of the conditions set out thereunder, undertakings ('the Undertakings') have been offered separately to the Commission by the Applicant and its subsidiaries on 06 November 2018.
- 2.0 Having taken cognizance of a report (the Report) of the Executive Director dated 15 February 2019 in respect of this matter, the Commission has determined the present matter under section 59(7) of the Competition Act (the Act), the conditions prescribed under paragraph 5.6A of CCM3 Guidelines on Collusive Agreements and considering in particular, the Undertakings offered pursuant to section 63(3) of the Act.

The law

- 3.0 Section 43 of the Act prohibits and renders void 'any vertical agreement between enterprises to the extent that it involves resale price maintenance'. RPM is in turn defined under section 2 of the Act as 'an agreement between a supplier and a dealer with the object or effect of directly or indirectly establishing a fixed or minimum price or price level to be observed by the dealer when reselling a product or service to his customers'.
- 3.1 An enterprise can only benefit from immunity to financial penalty if it is involved in conduct(s) that falls within the scope of section 43 of the Act and satisfies the conditions prescribed for the RPM Amnesty Programme, that is if it -
- 3.1.1 admits its participation in an agreement involving RPM;
 - 3.1.2 provides the Commission with all the information, documents and evidence available to it regarding its RPM conduct;
 - 3.1.3 maintains continuous and complete co-operation until the conclusion of any action by the Commission in relation to the matter; and
 - 3.1.4 offers undertakings that satisfactorily address the competition concerns of the Commission.
- 3.2 The threshold for accepting undertakings under section 63(3) is that the Commission must be satisfied that they address "all the concerns it has about any prevention, restriction [or] distortion (...) of competition".
- 3.3 Pursuant to section 59 of the Act, the Commission may grant immunity or leniency to any person in such circumstances as may be prescribed. Effective from 05th June 2017 until 20th October 2017 inclusively, the Commission put in place a one-off, time-limited amnesty programme for any enterprise involved in resale price maintenance by waiving the restriction at paragraph 5.3 of CCM3 Guidelines on Collusive Agreements, viz., that only RPM which facilitates a cartel can benefit from leniency and the associated footnote 3 thereat and subject to the applicant-enterprise fulfilling the conditions prescribed under paragraph 5.6A (b) of the said Guidelines (the 'RPM Amnesty Programme').

Facts

- 4.0 The Applicant is a private company and bears Business Registration Number C07008730. It operates, firstly, as an importer and distributor of health care products and secondly, through its subsidiaries, BHL, GBHL and RHL, as retailer of these products.
- 5.0 From the Application and documents in support thereof, it is established that the Applicant has participated in RPM conduct in the following manner:-

- 5.1 in its capacity as supplier of health care products, it has provided price lists with pre-determined resale prices to its wholesale customers with the mention of the words 'recommended price' therein; and
- 5.2 in its capacity as retailer through its subsidiaries, it has accepted products with pre-determined resale prices which were affixed on them by suppliers without mention of the words 'recommended price' appearing next to the resale price.
- 6.0 The above practices by the Applicant, according to the Executive Director, of providing price lists with pre-determined resale prices to its retail customers without the words 'recommended price' may amount to an agreement under the Act whereas in accepting, through its subsidiaries, products of its suppliers with pre-determined prices affixed on them, may also amount to an agreement under the Act and constitute an acquiescence on the part of the subsidiaries to the policy of the suppliers to affix the resale prices of the products that they have determined.

Investigation and findings

- 7.0 Upon receipt of the Application and pursuant to section 51 of the Act, the Executive Director proceeded to investigate (INV042/RPM/057) whether the reported conduct may amount to an RPM within the ambit of section 43 of the Act.
- 8.0 The Executive Director submitted his Report on the matter to the Commission on 15th February 2019. The Report contains the findings of the Executive Director, his assessment of whether the proposed Undertakings address all the concerns identified by him, and his recommendations in respect of the Application.
- 9.0 The findings of the Executive Director further to the assessments carried out are that-
 - 9.1 the Application satisfies the conditions set out under paragraph 5.6A of CCM3 Guidelines for RPM amnesty;
 - 9.2 the Applicant in its capacities as supplier and retailer of health care products, has engaged in a conduct that raises competition concerns under section 43 of the Act.
 - 9.3 the Undertakings offered as part of the Application satisfactorily address all the concerns he has about any prevention, restriction of competition as required under section 63 of the Act, in that the Applicant has undertaken -

in its capacity as retailer, through its subsidiaries:-

- 9.3.1 not to, in any manner whatsoever, enter into or otherwise facilitate, either explicitly or implicitly, the implementation of any agreement with the suppliers that involves resale price maintenance;

- 9.3.2 to, where any of its suppliers has recommended a minimum resale price for its goods and the resale price appears on the goods, inform the same suppliers, in writing, that they shall ensure that the words 'recommended price' appear next to the resale price; and

in its capacity as supplier:-

- 9.3.3 to inform all dealers, in writing and in clear and unequivocal terms, that prices or price levels it has communicated to them are "recommended" prices or price levels and that they shall remain entirely free to fix or otherwise apply their own prices or price levels and that they are neither bound nor legally compelled to apply or comply with any recommended price or price level it has communicated to them; and
- 9.3.4 to, on issuing price lists to retailers which contain pre-determined resale prices, clearly state in writing that these prices are recommended prices which are not binding and that retailers are free to determine their own resale prices.

Executive Director's recommendations

- 10.0 The Executive Director recommends that the Commission accepts the Undertakings and grant immunity from fines to the Applicant for its participation in the RPM conduct as aforesaid.

Determination

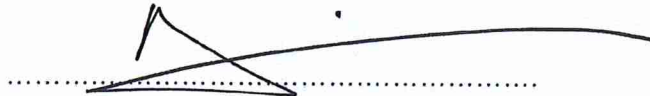
- 11.0. Having regard to the Application submitted by the Applicant, the concerns which have been identified by the Executive Director in his Report, and the Undertakings offered by the Applicant, the Commission determines that –
- 11.1 the Applicant has, in its Application, admitted, in clear and unequivocal terms, its participation in one or more RPM agreement(s) viz admission of having participated in or otherwise having engaged in conduct as supplier and retailer of Health Care products, that falls within the ambit of section 43 of the Act;
- 11.2 The Applicant has complied with requirements (ii) and (iii) of paragraph 5.6A(b) of the CCM 3 Guidelines, as stated in the Report; and
- 11.3 The Undertakings submitted by the Applicant satisfactorily address the Commission's concerns in so far as it will ensure that Applicant ceases its participation in RPM agreements.

Decision

- 12.0 The Commission therefore decides as follows:

- 12.1 We accept that the Applicant satisfies the conditions prescribed under the RPM Amnesty Programme as set out in paragraph 5.6A of the CCM 3 Guidelines on Collusive Agreements.
- 12.2 We accept the Undertakings offered by the Applicant and its subsidiaries.
- 12.3 The Undertakings shall be effective as from the date of this Decision.
- 12.4 We grant immunity from financial penalty to the Applicant pursuant to section 59(7) of the Act in respect of its dealings with its suppliers as list annexed (Annex 8) to the Report and for the period 25 November 2009 to 29 September 2017 only.

Mrs. M. B. Rajabally
(Chairperson)

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Mr. C. Seebaluck
(Commissioner)

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Mrs. V. Bikhoo
(Commissioner)

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21 June 2019