



## Study of Key Differences Between MRTP Act and Competition Act

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**Abstract :** Monopolies and Restrictive Trade Practices (MRTP) Act, 1969 was revoked and replaced by Competition Act, 2002. MRTP Act was enacted to deal with monopolistic, restrictive and unfair trade practices, but due to certain limitations, Competition Act was introduced, which changed the focus from curbing monopolies to promoting competition. Both the acts apply to whole India, except the state of Jammu and Kashmir. While the old act belongs to pre-liberalisation period, the new Act, came into force after liberalization. The arrangement and language of the new act are much simpler than the old one.

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### Definition of MRTP Act

MRTP Act or otherwise known as Monopolistic and Restrictive Trade Practices Act, was the first-time ever, competition law in India, that came into force in the year 1970. However, it underwent amendment in different years. It aimed at:

- Controlling and regulating the centralization of economic power.
- Controlling monopolies, restrictive, unfair trade practices.
- Prohibit monopolistic activities
- Further, the act makes a distinction between Monopolistic Trade Practices and Restrictive Trade

### Practices, summarized as under:

- Monopolistic Practices: The practices adopted by the undertaking, on account of their dominance, which harm the public interest. It includes:
  - Charging unreasonably high prices.
  - Policy the lessens existing and potential competition.
  - Restricting capital investment and technical development.
- Restrictive Practices: Acts that prevent, distort or restrict competition comes under restrictive practices. These are adopted by a few dominant firm with an agreement to hinder the growth of competition, called as cartelization. It includes:
  - Restricting the sale or purchase of goods to/from specified persons.
  - Tie-in-sale, i.e. forcing the customer to purchase a particular product, so as to purchase another product.
  - Restricting areas of sale.



- Boycott
- Formation of cartels
- Predatory pricing

### **Definition of Competition Act**

Competition Act, 2002 is meant to create a Commission that prevents activities which adversely affect competition and initiate and sustain competition in the industry. Further, it aims at protecting consumer interest and corroborating freedom of trade. The commission is empowered to:

- Ban certain agreements: Agreements which are anti-competitive in nature are prohibited. It includes:
  - Tie-in arrangement
  - Refusal to deal
  - Exclusive Dealings
  - Resale price maintenance
- Abuse of dominant position: It includes activities such as limiting production of goods or services, the imposition of unfair conditions or engaging in such activities which lead to denial of market access.
- Regulation of combination: It regulates the activities of combinations, i.e. mergers, acquisition, amalgamation, which is likely to adversely affect competition.
- The act applies to whole India, except in Jammu & Kashmir. It was enacted to enforce competition policy in the country and also to stop and penalize anti-competitive trade activities of the undertaking and undue intervention of the government in the market.

### **Key Differences Between MRTP Act and Competition Act**

The fundamental points of difference between MRTP Act and Competition Act are given as follows:

- MRTP Act is a competition law, that was created in India, in 1970 to prevent concentration of economic power in few hands. On the other hand, Competition Act emerged as an improvement over MRTP act to shift the focus from controlling monopoly to initiating competition in the economy.
- MRTP Act is reformatory in nature, whereas Competition Act is punitive.
- In Monopolies and Restrictive Trade Practices (MRTP) Act, the dominance of a firm is determined by its size. On the other hand, the dominance of a firm in the market is determined by its structure in the case of Competition Act.



- MRTP Act focuses on the interest of consumers. Conversely, Competition Act focuses on the interest of the public at large.
- In MRTP Act, there are 14 offenses, which are against the rule of natural justice. On the contrary, there are only four offenses listed out by the competition act which violates the principle of natural justice.
- MRTP Act does not specify any penalty for offenses but Competition Act states penalty for the offence.
- The basic motto of MRTP Act is to control monopolies. As against this, the Competition Act intends to initiate and sustain competition.
- Monopolies and Restrictive Trade Practices (MRTP) Act, requires that the agreement to be registered. In contrast, the Competition Act is silent on the registration of agreement.
- In MRTP Act, the appointment of chairperson was done by Central Government. On the contrary, in Competition Act the appointment of chairperson was done by Committee that comprises of retired.

### Conclusion

In short, the two acts are different in a number of contexts. MRTP Act has a number of loopholes and the Competition Act, covers all the areas which the MRTP Act lags. The MRTP Commission plays only advisory role. On the other side, Commission has a number of powers which promotes suo moto and levies punishment to those firms which affects the market in a negative way.

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