
UNIT 12 REGULATION OF PRICES

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12.0 OBJECTIVES

After studying this unit, you should be able to:

- identify various legislations which regulate pricing policies in India
- explain how various legislations regulate prices in India.

12.1 INTRODUCTION

You have already studied various pricing policies and strategies. But while deciding pricing strategies it is also important for you to keep in mind the legislative provisions regarding price. Regulation of prices is considered as one of the important means of achieving the socio-economic goals in many countries. The important factors that call for price control and regulation in countries like India are short supply of goods and services, unreasonable level of prices, unfair trade practices and black-marketing, low levels of income of a large number of people, etc. In India, a number of legislations seek to regulate pricing policies and practices. They include the Monopolies and Restrictive Trade Practices Act, 1969 (Soon likely to be replaced by Competition Act, 2002), the Consumer Protection Act, 1986, the Essential Commodities Act, 1955, the Prevention of Black-Marketing and Maintenance of Supplies of Essential Commodities Act, 1980, the Drugs (Control) Act, 1950, the Industries (Development

and Regulation) Act, 1951, and the Standards of Weights & Measures (Packaged Commodities) Rules, 1977. In this unit we will discuss the major provisions of these legislations regarding the regulation of prices of goods and services in India. The main objective here is not to make a legal analysis and solve legal puzzles, but to offer proper understanding of the broad issues so as to enable you to protect the interests of your company and to prevent any legal problem regarding pricing the products of your firm.

12.2 REGULATION OF PRICES UNDER THE MRTP ACT

The prevention of certain trade practices that are detrimental to the consumers' interest is one of the major objectives of price regulation. In India, the Monopolies and Restrictive Trade Practices Act, 1969 seeks to prevent the monopolies, restrictive and unfair trade practices since these are prejudicial to the public interest. The provisions relating to the regulation of trade practices also cover-pricing practices indulged in by the sellers including manufacturers, wholesalers and the retailers. The practices regulated under this Act are: resale price maintenance, price discrimination, collective price fixing, predatory pricing, bargain and deceptive pricing, and charging of unreasonably high price. Let us discuss these aspects in detail.

12.2.1 Resale Price Maintenance

With a view to exercise control over the price to be charged on the re-sale of the products, a manufacturer stipulates the price to be charged by the dealers, thereby not permitting them to sell below the suggested price. Insistence by the manufacturer that his product should not be sold below the price indicated by him may eliminate competition among the distributors of the product. This may tend to keep the price paid by the consumer at a level higher than what it would have been otherwise. Thus, the practice of re-sale price maintenance may benefit the manufacturer and the dealers. It may, however, deprive the consumers of the benefits that may accrue to them because of price competition among the sellers. Prices are fixed at a higher level under re-sale price maintenance because of which consumers have to pay higher prices.

What exactly amounts to re-sale price maintenance?

Let it not be understood that re-sale price maintenance involves only insistence on the part of the manufacturer or wholesaler that the goods shall not be sold below the stated price. As per *Explanation 1 of Section 40 of the MRTP Act, 1969*, the practice of re-sale price maintenance in relation to sale of goods includes:

- (i) suggesting a minimum price;
- (ii) recommending a particular price without specifically permitting the dealer to sell at a lower price;
- (iii) though suggesting the price to be maximum retail price, but insisting that the goods shall not be sold for a price less than the suggested maximum retail price. Thus, apparently the price suggested is to be maximum retail price, it virtually becomes the minimum price to be charged.

Further, under *sub-section (2) of Section 39 of MRTP Act, 1969*, the practice of re-sale price maintenance shall include a notification to dealers or otherwise publication on, or in relation to, any goods, a price stated or intended to be understood as the minimum price which may be charged on the resale of goods in India.

Thus, under the practice of re-sale price maintenance, the wholesaler or retailer is not given the freedom to sell the goods below the recommended re-sale price. For

example, in a reported case relating to *RRTA vs. Bata India Ltd.* (1976), Bata India Ltd, had sales organization throughout India and uniform sale prices were fixed by it all over India. The price lists circulated to wholesalers, dealers, etc., contained wholesale price per pair and retail price per pair for each type of footwear and the retail prices were embossed on the footwear. Such a clause fixing uniform sale price of respondent's footwear throughout India amounted to re-sale price maintenance. *Held*, that the trade practice of re-sale price maintenance as complained of in the application would cease if the respondent conspicuously stated on the price lists issued by it that the wholesalers and retailers were free to charge a price lower than those specified therein and if it embossed on the footwear the words and figures 'price not to exceed Rs...'

The above discussion shows that, in certain cases, re-sale price maintenance is highly detrimental to the interests of the consumers. To regulate the practice of re-sale price maintenance in India, the MRTP Act prohibits the fixation of minimum re-sale price. The Act provides that any agreement of sale between a person and a wholesaler or retailer shall be void if its objective is to provide for the establishment of minimum price to be charged on the re-sale of goods in India.

The Act further lays down that no supplier can withhold supply of any goods to any wholesaler or retailer if that wholesaler or retailer refuses to or fails to abide by the suggested resale price. Likewise, such wholesaler or retailer cannot be treated less favourably than the other dealers in terms of discount, credit terms, etc.

The situations where a supplier is allowed to intervene and insist that goods be not sold below a certain price are:

- (a) Where a re-seller is selling those goods at a loss, i.e., below his cost and, thereby, using the goods as a loss leader. A re-seller is said to use goods as loss leader when he resells them otherwise than as a genuine seasonal or clearance sale not for the purpose of making profit, but for the purpose of attracting customers for his other goods or advertising his own business.

In *Tri-ad Trading Services Limited vs. State of Tamil Nadu* (2000) 36 CLA 62 (Mad.), it was held that to substantiate the claim that the dealer is using his product as a 'loss leader', it has to be established that the dealer is incurring losses.

- (b) If the MRTP Commission makes an order of exemption, MRTP Commission may grant exemption, that is, allow the practice of re-sale price maintenance, if it is satisfied that in the absence of a minimum re-sale price system:
 - (i) the quality of the goods or their variety would be substantially reduced to the detriment of the public as consumers or users; or
 - (ii) the retail prices, in general and in the long run, would be increasing to the detriment of the public as such consumers or users; or
 - (iii) the necessary services actually provided with the sale of the goods by retail would cease or be reduced substantially to the detriment of the public as consumers or users, for example, newspapers.

Contravention of provisions relating to the prohibition of maintenance of minimum re-sale prices shall invite punishment with a fine upto Rs.5,000/- or imprisonment for a period upto three months, or with both.

12.2.2 Price Discrimination

When a manufacturer or supplier of goods charges, for the same or similar product, a higher price from one dealer and a lower price from another, the practice is referred to as **price discrimination**. The discrimination in price can be made either through

fixing and charging different prices from different buyers or by granting discount, commission, allowance or rebate at different rates to different buyers. The practice has an adverse effect on the competition since the dealer who has paid a higher price for the product cannot compete effectively with the one who has paid a lower price for the same product. Moreover, by allowing quantity discount or favourable terms of sale or delivery in excess of what is justified by cost-saving in bulk supply, the seller is, in effect, charging a lower price to a bigger dealer. This enables that bigger dealer to re-sell the product at a price lower than that charged by the smaller dealer. Furthermore, discrimination through the grant of a turnover bonus (often termed as 'aggregate rebate') has the effect of binding the buyer to the seller for a certain period. This will strengthen the seller's control in the market.

Price discrimination has an adverse effect on competition in as much as buyers of the product will suspect the smaller dealer for overcharging and may thus shift to the bigger buyer. After competition is eliminated, bigger buyer may not pass the additional discounts to the ultimate consumer.

Price discrimination is a restrictive trade practice under the MRTP Act. Such a practice is regulated through the mechanism of an inquiry conducted by the MRTP Commission which is empowered to pass a cease and desist order against the party indulging in this practice. The Commission's "cease-and-desist" order has the statutory backing like that of a civil court. Apart from passing the 'cease and desist' order, the MRTP Commission is also empowered to award compensation against the loss or injury suffered by any person or class of persons as a result of such trade practice.

12.2.3 Collective Price Fixing or Knock-out Agreement

Sometimes manufacturers and suppliers of goods and services enter into an agreement or understanding to eliminate competition among themselves, by fixing common prices and other terms of sale for their products or services. Such an agreement (or arrangement) leads to a formal or informal cartel, which can envisage uniformity in the price fixation of competing firms. Collective price fixing can also take the form of collusive tendering and collusive bidding or bid rigging.

Collusive Tendering: You may be knowing in the construction work, installation of plant and machinery, procurement of materials by industrial/commercial users, procurement by Government Departments/Institutions, etc., adopt tendering method. There are two types of tendering: (a) open tendering where it is advertised in the media and sealed bids can be submitted by any supplier (b) limited tendering where bids are invited from few bidders. The first approach is followed normally when the amount involved is more and time is sufficient. The second method is followed when the amount is small and need is urgent. The buyer provides specifications of the work or materials in the tender document while the suppliers provide specifications and price of the materials he would supply by filling the tender. All the tenders are opened on a pre-decided day in the presence of all bidders. Then the bidder whose specifications match with buyer's requirements and offers the lowest price will get the contract. This is briefly tendering.

Thus, it is a practice whereby sellers (or buyers) of goods or services secretly agree on the prices, or other terms or conditions of sale or purchase, to be quoted in response to a tender. They would quote such rates and terms as would make the offer of only the pre-decided tenderer acceptable. This practice results in unduly high prices of products or services offered for supply. The opposite will be the situation when the tenders invited are for the 'disposal of any product'. In that case the rates quoted will be too low.

Collusive Bidding or Bid Rigging: Collusive bidding is the counterpart of collusive tendering in situations where the goods are sought to be disposed of through auction. The system is prevalent among certain organizations which dispose of surplus goods through auction with a view to get the highest possible price. In the auction system, product is made available for physical examination and all the buyers publicly offer the price. The buyer whoever offers the highest price will get the product. However, the buyers find it a convenient way of counteracting the seller's effort to raise the price of the product. They agree among themselves on the price or other terms (or conditions) of sale, or purchase of goods or services, to be offered at the auction. The collusive agreement, arrangement or understanding, among the bidders, leads to the manipulation of prices of the products or services offered for sale through auction.

Thus, collective price fixing, collusive tendering and collusive bidding have the effect of restricting and eliminating competition which amounts to a restrictive trade practice. The provisions for the regulation of these practices are the same as those for other restrictive trade practices described in price discrimination.

12.2.4 Predatory Pricing

Another way to eliminate or reduce competition in the market is to charge a slashed-down price which can be even below the cost incurred by the manufacturer or supplier of the product. This is often done with the intention of driving out a smaller competitor and eventually making profit by the monopoly situation so created. Such a trade practice is often referred to as **predatory pricing**.

In *Modern Food Industries (1996)*, it was held that it requires to be established that the pricing below cost was with intention to drive competitor out of business or to eliminate competition. *Mere offer of a price lower than cost of production cannot automatically lead to an indictment of predatory pricing.*

Again, in *Britannia Industries Ltd. and Another (1986)*, the question was whether M/s. Johnson and Johnson Ltd. was practising predatory pricing with a view to throwing small manufacturers out of trade. Johnson and Johnson Ltd., the respondent, were manufacturing nearly 300 varieties/sizes of sutures using modern technology and expertise and quality control under the technical guidance of world famous 'Ethicons'. On the other hand, the petitioner M/s. SMB were a small-scale unit manufacturing only non-absorbable sutures with 100% indigenous technology having a nominal share in the market. The petitioner's complaint was that the respondent indulged in predatory pricing in their quotations of their product to the Director General, Armed Forces Medical Services Depot, Delhi Cantt., with a view to eliminating competition from small manufacturers like the complainant. The question before the Commission was whether the quoting of lower prices than the prices charged from dealers amounted to predatory pricing. The Commission had already ruled in *Tri Sure India Ltd., Bombay* that the essence of predatory pricing was pricing below one's cost with a view to eliminating a trade rival. An attempt was, therefore, made to arrive at the cost of production of the respondent on the basis of the material cost, excise duty and expenses allocated on the basis of the proportion of sale of each item to total sale. The emerging picture showed that in no case quotation had been given at a price below the cost price. In the circumstances, it was held that to sell a small portion in public interest to Government can not be treated as restrictive trade practice of predatory pricing, particularly, when the rates are above cost of sales.

Predatory pricing, as noted above, if intended essentially to eliminate competition, it amounts to a restrictive trade practice and invites the same regulatory measures under the MRTP Act discussed under price discrimination.

12.2.5 Bargain Sale and Deceptive Pricing

Sellers often attract buyers on false promises. A particular product is offered on a slashed-down price, but the intention of the advertiser is only to lure the buyer so that he may buy some other products. *For example*, a dealer advertises a particular brand of 21 inches television set at Rs.8000/-. Once the intending buyer is lured to the show-room for buying the television set, the dealer would avoid the sale of that television set, disparage its features, demonstrate a defective one, or impose an unreasonable delivery date. Instead, the seller may persuade the same buyer to buy another brand of television or any other product.

Since the bargain pricing and deceptive pricing tend to mislead the consumers, such pricing practices amount to an unfair trade practice under the MRTP Act. Unfair trade practices are sought to be regulated by the MRTP Commission which is empowered to conduct an inquiry into the said practice. If the Commission is satisfied that the practice amounts to an unfair trade practice, it passes prohibitory order ("cease and desist order") against the party concerned. Besides, compensation may also be awarded to the aggrieved buyer.

12.2.6 Charging of Unreasonably High Prices

In order to maximize the profit and market power, businessmen often charge unreasonably high price. This happens when a company is in a monopoly position to control production, supply or distribution of goods or services, because of their dominant position in the market. Charging of unreasonably high price amounts to a monopolistic trade practice under the MRTP Act. Such practice is sought to be regulated through the instrumentality of the MRTP Commission and the Central Government. While the inquiry is conducted by the MRTP Commission which is a statutory body enjoying many powers of the civil courts, the final order is passed by the Central Government (Department of Company Affairs). Apart from passing a prohibitory ('cease and desist') order, the Central Government enjoys wide powers of passing any other appropriate order to curb the evil consequences of the monopolistic trade practices.

Check Your Progress A

- 1) List the pricing practices by the seller which attract the provisions of the MRTP Act, 1969.

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- 2) Distinguish between predatory pricing and price discrimination.

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- 3) Distinguish between collusive tendering and collusive bidding.

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- 4) Match the pricing practices given in Column A with the names given in Column B.

Column A	Column B
i) Pricing is slashed-down below the cost with a view to eliminate competition	a) Re-sale price maintenance
ii) Sellers have a secret agreement on the price to be quoted in response to a tender notice	b) Collusive tendering
iii) A price charged on the re-sale of a product by a retailer	c) Price discrimination
iv) A manufacturer of goods charged different prices from different dealers for the same products	d) Predatory pricing

12.3 REGULATION OF PRICING UNDER THE CONSUMER PROTECTION ACT

The Consumer Protection Act, 1986, as amended by the Consumer Protection (Amendment) Act, 2002, provides some measures for regulating two types of pricing practices: 1) excessive pricing, and 2) bargain and deceptive pricing. Let us study the relevant provisions in detail.

12.3.1 Excessive Pricing

Charging of high prices from the consumers shall invite action under the Consumer Protection Act where the price charged by a trader or service - provider is in excess of the price –

- fixed under any law;
- displayed on the goods;
- displayed on any package or container;
- displayed on the price list exhibited by him by or under any law for the time being in force;
- agreed between the parties.

Such pricing is sought to be regulated through the instrumentality of the law enforcement agencies set up under the Act. This machinery consists of District Consumer Disputes Redressal Forum set up in each district, State Consumer Disputes Redressal Commission set up in each State and Union Territory and the National Consumer Disputes Redressal Commission at New Delhi.

Consumer Protection (Amendment) Act, 2002 further provides for constitution of the State Councils for every State to be established by the respective State Governments. The object of every State Council shall be to promote within the State the rights of the consumers including the right to competitive prices. It may be noted that the requirement of establishment of State Councils is in addition to the Central Council already established by the Central Government under Section 4 of the Act which is also responsible for promoting and protecting the rights of consumers.

Action is initiated on the complaint received from any consumer, any recognized and registered consumers' association, the Central Government or State Government.

The redressal forums at the District, State or National level serve as quasi judicial bodies (special courts) set up for the redressal of grievances of consumers against the seller in relation to supply of defective goods, deficient services, charging of excessive prices, and indulging in any restrictive or unfair trade practice. They enjoy wide powers of ordering replacement of goods, return of the excess amount charged and awarding of compensation for any loss or injury suffered by any consumer or groups of consumers.

12.3.2 Bargain and Deceptive Pricing

The meaning attached to bargain and deceptive pricing under the Consumer Protection Act is the same as under the MRTP Act.

If the suggestion or indication of the price of a product or the charges for any service materially misleads the public, it will attract punitive action under the Consumer Protection Act. The appropriate machinery is the same as that explained under excessive pricing.

Check Your Progress B

- 1) List the circumstances under which a pricing practice may attract legal provisions of the Consumer Protection Act.

- 2) What is the three-tier machinery set up under the Consumer Protection Act?

- 3) State whether the following statements are True or False.
 - i) Deceptive pricing is sought to be regulated under the provisions of both the MRTP Act and the Consumer Protection Act.
 - ii) Any consumer can make a complaint regarding charging of price indicated on the label of the product through the Consumer Protection Forum.

12.4 REGULATION OF PRICING UNDER OTHER ACTS

There are some other legislations which seek regulation of pricing policies and practices in India. These include:

- 1) The Essential Commodities Act, 1955
- 2) The Drugs (Control) Act, 1950
- 3) The Industries (Development and Regulation) Act, 1951
- 4) The Standard of Weights and Measures (Packaged Commodities) Rules, 1977

Now let us study the provisions of these Acts in detail.

12.4.1 The Essential Commodities Act, 1955

As you know, hoarding and black-marketing have become very serious problems during periods of shortage. An effective system of control should prevent the creation of artificial scarcity by the unscrupulous businessmen for profiteering. Other major problems in India are the spiraling prices and continuous shortage of certain essential commodities such as edible oil, vanaspati, petrol, kerosene, sugar, tea, cement, paper, etc. The legislative measures for overcoming these problems are incorporated in the Essential Commodities Act, 1955. Under this Act there are two important provisions: 1) fixing the prices of essential commodities, and 2) regulation of prices of food-stuffs. Let us study these two provisions in detail.

Fixing the Prices of Essential Commodities: The broad principle governing the payment of the prices for the commodities acquired by the Central Government or any State Government are spelt out under Section 3(3) of the Act. The Government concerned has the discretionary powers in matters relating to the fixation of prices of an essential commodity acquired by it. In such cases, the seller shall be paid the price of the commodity determined in the following manner:

- 1) **Agreed Price:** Where the prices can be agreed upon, by the Government and the seller, the agreed price is to be paid.
- 2) **Controlled Price:** Where no agreement as to the price is reached, the price calculated with reference to the controlled price, if any, is to be paid.
- 3) **Market Price:** Where there is neither an agreed price nor a controlled price, the price calculated at the prevailing market rate is to be paid.

Regulation of Selling Prices of Foodstuffs

The Central Government has been empowered by the Act to regulate the selling prices of foodstuffs in any locality. The term 'foodstuff' is used under the Essential Commodities Act, 1955 not only for the material which is immediately fit for human consumption but also applies to materials which can be used as food after subjecting it to process like grinding, cleaning, etc. The following have been held to be foodstuff and accordingly an essential commodity under the Act:

- (i) Sugarcane
- (ii) Paddy
- (iii) Linseed Oilseeds
- (iv) Ice
- (v) Turmeric
- (vi) Milk

Wherever the Central Government finds it necessary to control the rise in prices or prevent the hoarding of any foodstuff, it may regulate their selling price. The prices shall be determined in accordance with the relevant provisions of Section 3(3A) of the Act. The Act also provides for the method of fixation of price for foodstuffs of edible oils acquired by the Government. Similarly, the criteria for the fixation of fair price of sugar payable to the producer have been provided in the Act.

The provisions of the Essential Commodities Act have been further strengthened and reinforced by the Prevention of Black Marketing and Maintenance of Supplies of Essential Commodities Act, 1980.

Stringent measures have been provided under this Act to prevent black marketing and ensuring equitable supply of essential commodities.

12.4.2 The Drugs (Control) Act, 1950

Though the Essential Commodities Act, 1955 covers drugs under its scope, the Drugs (Control) Act was passed way back in 1950 which provided for the control of the sale, supply and distribution of drugs. The Act incorporates certain provisions for the regulation of the prices of drugs in India. Under Section 4(1), the Government is empowered to fix the maximum price or rate which may be charged by a dealer or producer in respect of any drug. Further, Section 5 imposes restrictions on the sale, price, etc., where maximum price is fixed under Section 4. That means no dealer or producer is permitted to sell, agree to sell, offer for sale or otherwise dispose of, to any person any drug for a price exceeding the maximum fixed under Section 4.

12.4.3 The Industries (Development & Regulation) Act, 1951

The Industries (Development & Regulation) Act (IDRA), 1951 also aims at securing an equitable distribution and availability at a fair price of any article or class of articles relating to any scheduled industry. By scheduled industry, we mean industries listed in the First Schedule to the IDRA. It includes consumer goods industries like cotton and woollen textiles, sugar and salt, pharmaceuticals and drugs; capital goods and producer goods like iron and steel.

The Central Government may, by a notified order, provide for regulating the supply and distribution thereof and trade and commerce therein, notwithstanding anything contained in any other provision of this Act. The Central Government may make notified order for price and distribution controls. A notified order made in respect of price may provide for:

- 1) Controlling the price at which any such article, or class of articles thereof, may be bought or sold;
- 2) Regulating any person manufacturing, producing or holding in stock such article or class of articles thereof to sell the whole or a part of the article so held in stock by such person or class of persons and in such circumstances as may be specified in the order;
 - i) where the price can, consistently with the controlled price, if any, be fixed by agreement, the price so agreed upon;
 - ii) where no such agreement can be reached, the price calculated by reference to the control price, if any, fixed under this section;
 - iii) where neither clause (i) nor clause (ii) applies, the price calculated at the market rate prevailing in the locality at that date.

12.4.4 Bureau of Industrial Costs and Pricing

The Bureau of Industrial Costs and Pricing (BICP) functions under the administrative control of the Department of Industrial Development of the Union Ministry of Industry. The BICP was established by the Government of India, on the recommendation of the Administrative Reforms Commission, through a Resolution in 1970, to advise on a continuing basis on industrial costs and pricing of manufactured products.

The BICP performs a number of functions like energy audit and industrial efficiency, water and material audit, industrial monitoring and has also been entrusted with the task of infrastructure pricing. Under infrastructure pricing, the BICP monitors the price policy for strategic sectors of the economy by suggesting measures for reducing costs and increasing productivity. The Government determines the prices of a number of commodities on the basis of the recommendations of the BICP.

12.4.5 The Standards of Weights and Measures (Packaged Commodities) Rules, 1977

One of the persistent demands of the consumer activity has been that the prices of all packaged commodities, inclusive of all taxes, should be displayed on each package. In order to have a proper control of pricing and certain other aspects of packaged commodities, provisions have been made under the Standards of Weights and Measures (Packaged Commodities) Rules, 1977. These Rules require the manufacturers and packers of all commodities sold in packaged form to provide the following particulars, conspicuously marked on every package:

- 1) name and address of the manufacturer/packer;
- 2) common or generic name of the commodity contained in the package;
- 3) the net quantity in terms of the standard unit of weight or measure;
- 4) the month and the year of manufacturer/packing;
- 5) the selling price (inclusive of all taxes as per the amendment effective from November 1999)
- 6) the dimensions of the commodity, if relevant.

Thus, it is now obligatory on the part of each manufacturer, packer to display the maximum retail price of all the packaged commodities offered for sale to consumers.

Check Your Progress C

- 1) Name any six commodities which have been declared as essential commodities under the Essential Commodities Act.

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- 2) How the price is fixed when the Government acquires commodities under the Essential Commodities Act?

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- 3) Name the official organization of the Ministry of Industry concerning with regulation of infrastructure pricing.

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- 4) State whether the following statements are True or False:

- i) Central Government enjoys absolute powers in controlling the price of commodities under IDRA.

- ii) Control of price under IDRA applies to every industry irrespective of its nature.
- iii) Drugs also come under the scope of Essential Commodities Act.
- iv) Government can fix the prices of food items and enforce the same.
- v) Retailer can sell the drugs at a price exceeding the maximum fixed price.

12.5 LET US SUM UP

While fixing prices of goods and services or making any modifications, the manufacturers and sellers have to be conscious of the relevant provisions contained in various statutory regulations. While the practice of minimum retail price is absolutely prohibited, practices like price discrimination, predatory pricing, bargain and deceptive pricing and excessive pricing attract action under the Monopolies and Restrictive Trade Practices Act, 1969. The Consumer Protection Act, 1986 provides measures for regulating excessive prices, and bargain and deceptive prices. The Essential Commodities Act, 1955 empowers the government to regulate the distribution and prices of essential commodities. The marketing managers of drugs and essential commodities have to be extra vigilant since their pricing practices are subject to additional regulatory measures under the Drugs (Control) Act, 1950. Moreover, pricing of products manufactured by scheduled industries under the Industries (Development and Regulation) Act, 1951. Products sold in packaged form also attract additional measures of statutory price regulations under the Standards of Weights and Measures (Packaged Commodities) Rules, 1977.

12.6 KEY WORDS

Collective Pricing : A pricing policy where manufacturers or sellers of a product enter into an agreement or understanding and fix a common price and/or terms of sale for the product.

Collusive Tendering : A practice whereby sellers or buyers of goods or services secretly agree on the prices, on other terms or conditions of sale or purchase, to be quoted in response to a tender.

Predatory Pricing : A pricing policy where seller charges a slashed price for a product which is even below the cost of that product.

Price Distribution : A pricing policy where a seller charges different prices to different buyers for the same product.

Re-sale Price Maintenance A pricing policy whereby the manufacturer sets the re-sale price for his product below which the dealer is not allowed to sell.

12.7 ANSWERS TO CHECK YOUR PROGRESS

- A 4) i) d ii) b iii) a iv) c
- B 3) i) True ii) True
- C 4) i) True ii) False iii) True iv) True v) False

12.8 TERMINAL QUESTIONS

- 1) Explain the provisions relating to following pricing policies:
 - i) Price discrimination
 - ii) Predatory pricing
 - iii) Deceptive and bargain pricing
2. Explain the meaning of re-sale price maintenance. Discuss briefly the legal provisions for its regulation in India.
3. Describe the provisions of the Essential Commodities Act in so far as they relate to regulation of price.
4. Briefly explain the regulatory measures of the Drugs (Control) Act.
5. Explain the rules relating to display of retail prices.
6. Discuss the role of the Industries (Development and Regulation) Act and the BICP in the regulation of price.

Note: These questions will help you to understand the unit better. Try to write answers for them. But do not submit your answers to the University for assessment. These are for your practice only.

SOME USEFUL BOOKS

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(And also read the Bare Acts discussed in Unit 12).