THE COURT AS A MARKET CORRECTIVE: A CASE STUDY ON THE PREVENTION OF MONOPOLY ABUSE IN INDIA

Shreyanshi Tiwari*

ABSTRACT

The judiciary plays a critical role in addressing market failures, working alongside legislative efforts to create conditions for optimal economic outcomes. While it's true that governments set the regulatory framework, these laws actually matter only when courts and regulatory bodies like the Competition Commission of India (CCI) put them into action. The Indian judiciary, together with the CCI, has been instrumental in tackling problems such as monopolistic practices and the abuse of dominant positions within markets. A prime example is the landmark case Competition Commission of India v. Steel Authority of India Ltd. (2010). In this case, judicial intervention was essential: the Supreme Court made it clear that anti-competitive behaviour wouldn't go unchecked. This decision not only reinforced the CCI's authority but also set a strong precedent, confirming that even government-owned enterprises are subject to competition law. From an economic standpoint, unchecked monopolies create deadweight losses and chip away at consumer welfare—core concerns for any system aiming at efficiency. The Court's verdict in this matter sent a strong message: fair market access and robust competition aren't just policy goals; they're enforceable rights. Ultimately, judicial involvement ensures that markets operate as they're supposed to—efficiently, competitively, and with real benefits for consumers.

Keywords: Competition Commission of India, Dominance, Judiciary, Market Failure, Monopoly,

INTRODUCTION

Market failure is a core concept of microeconomics—it's what happens when free markets, left to their own devices, just can't get things right. We're talking about monopolies that elbow out

*BA LLB (HONS.), SECOND YEAR, CHRIST (DEEMED TO BE UNIVERSITY).

competition, information that only a few players are privy to, pollution that nobody wants to pay for, and those classic public goods that everyone needs but no one wants to fund. In a country like India, where the economy is still developing and the stakes are high, the risk of market failure isn't just theoretical; it's something regulators and lawmakers are forced to wrestle with, day in and day out.

It's not just about having rules on paper, though. Sure, Parliament can pass the Competition Act, 2002, and pat themselves on the back. But unless someone actually enforces those laws—unless the judiciary and regulatory bodies like the Competition Commission of India (CCI) and the Securities and Exchange Board of India (SEBI) get involved—none of it really matters. Effective adjudication is what turns theory into reality. These institutions act as the backbone of fair markets, stepping in when dominant firms try to twist the rules or when consumers end up paying the price for unchecked power.

Let's zero in on one landmark example: the case of Competition Commission of India v. Steel Authority of India Ltd. (SAIL), 2010.[1] In this case, Jindal Steel & Power Ltd. (JSPL) accused SAIL—a major state-owned company—of abusing its dominant position by locking up exclusive rail supply deals with the Indian Railways. JSPL argued that this move shut out competitors and undermined market access, which, if true, is exactly the kind of anti-competitive behaviour the Competition Act was meant to prevent.

The dispute raised real questions, not just about how the law should be interpreted, but about the economic consequences of monopoly power—stuff like deadweight loss and declining consumer welfare. In this paper, I'll unpack the economic theories that underpin cases like SAIL, connect them to what actually happened, and then walk through how the Supreme Court's verdict clarified the role of the CCI and set an important precedent for corporate accountability. Ultimately, the case shows how judicial intervention can bridge the gap between economic principles and market reality, ensuring that regulation isn't just a slogan but a safeguard for the public interest.

By diving into this case, the aim is to show how legal decisions don't just affect boardrooms or courtrooms—they shape how markets function in practice, and why strong, independent adjudication remains essential for economic progress.

[1] Competition Commission of India v. Steel Auth. of India Ltd., (2010) 8 SCC 358.

CASE STUDY - COMPETITION COMMISSION OF INDIA V. STEEL AUTHORITY OF INDIA LTD. (2010)

Jindal Steel & Power Ltd. alleged that M/s. Steel Authority of India Ltd. (SAIL) had inter alia entered into an exclusive supply agreement with Indian Railways for the supply of rails by invoking the provisions of Section 19 read with Section 26(1) of the Competition Act, 2002, by providing information to the Commission.[2] Denying fair access to essential raw materials (iron ore and steel), SAIL was thus alleged to have abused its dominant position to affect market competition. JSPL claimed that SAIL's unfair pricing and restrictive trade practices prevented fair competition in the steel industry.

The Competition Commission of India (CCI) took up the matter and SAIL was requested to furnish its views/comments in the matter within 2weeks' time. However, SAIL did not file its reply within the stipulated time and requested an extension of time for a period of six weeks. However, the Commission did not allow any further extension. But SAIL challenged the commission's jurisdiction in the Supreme Court.

ECONOMIC THEORY

The economic theory discussed in this particular case is monopoly power and abuse of dominance, deadweight loss and perfect competition. To find its relevance with the case stated, it needs to be discussed further in an elaborate way-

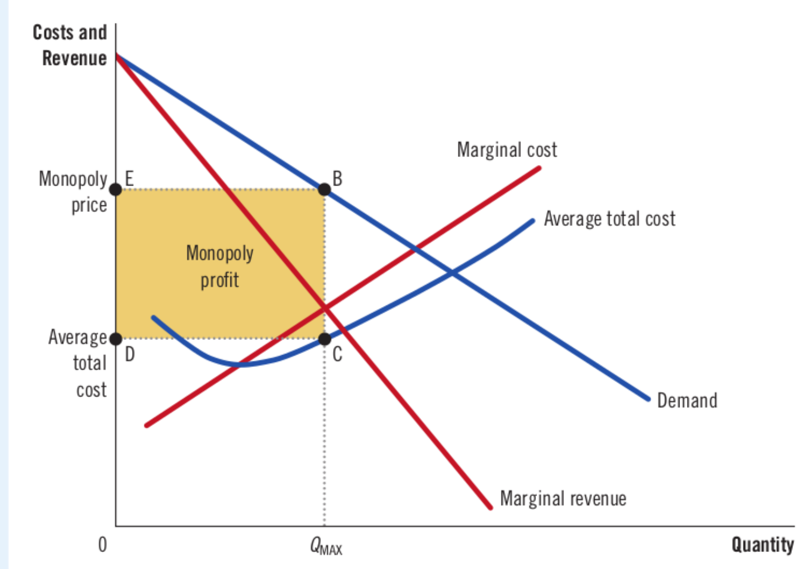
Monopoly Power and Abuse of Dominance: Monopoly is a market situation in which a single firm or a few dominant players control a market; they can restrict output, prevent new entrants, and set unfair prices, leading to allocative inefficiency and harming consumer welfare. There are many sources of monopoly power. Some of them are – Control over the raw material, patents and technical barriers.[3]

The simplest way for a monopoly to arise is for a single firm to own a key resource (or raw materials). In this case, SAIL had control over raw materials to be supplied to the Indian Railways, giving it the power of dominance. Abuse of dominant power can eliminate competition, manipulate prices, or create unfair trade conditions. Hence, this can lead to market

[2] A. Singh, A Landmark Judgment: The CCI v. SAIL Case and Its Impact on Indian Competition Law, 45 J. Competition L. 121, 123 (2011).

[3] P. Krugman & R. Wells, Microeconomics 273–75 (4th ed. 2015)

failure by restricting consumer choice, reducing efficiency, and increasing prices.[4]

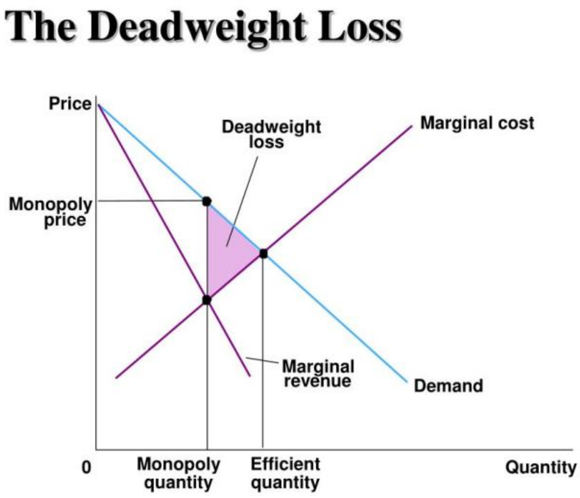


The graph illustrates how a monopolist firm maximises its profit by setting a quantity (Qmax here) where marginal revenue (MR) equals marginal cost (MC). The monopolist restricts output and charges a higher monopoly price (E here), leading to higher profits (shaded as yellow), instead of producing it at the competitive level. The demand curve (D) is downward sloping, while the MR curve lies below it, indicating that a monopoly must lower prices to sell additional units. The presence of economic profits (rectangle EBCD) shows how monopolies can manipulate the market.

The graph represents how SAIL could abuse its dominant position by controlling prices and restricting output, which can lead to market failure. The judiciary plays a pivotal role in ensuring fair competition and consumer welfare by preventing monopolistic exploitation.

Deadweight Loss: When the Marginal benefit (MB, additional benefit from consuming one more unit of a good) is not equal to the marginal cost (MC, expense of creating one more item for sale), it causes market failure. When MB is greater than MC, there is an underallocation of resources, which creates deadweight loss, which means there is no proper utilisation of the market's capacity.[5]

[4] N. Gregory Mankiw, Principles of Microeconomics 309 (8th ed. 2017).
[5] N. Gregory Mankiw, Principles of Microeconomics 309 (8th ed. 2017).



This graph illustrates how a monopoly's deadweight loss (DWL) by restricting output and raising prices above the competitive level creates deadweight loss (DWL). In the graph, the monopoly price is higher, and the monopoly quantity is lower than the efficient quantity, leading to a loss of total market welfare (shaded pink area). As a result, consumers will be forced to pay more or reduce consumption, and overall economic efficiency will decline. Judicial intervention helps reduce deadweight loss by ensuring fair competition and providing consumers with access to goods at competitive prices.

Lack of Competition: In competition assessment, market power is one of the important factors for determining the ability of a firm to raise and sustain prices above the competitive level and engage in anticompetitive conduct. Market power usually causes restrictions on the entry of new firms, which leads to almost no close substitutes, decreasing competition in the market, and finally leaving no choices for consumers. The effect of lack of competition can be that firms face less pressure to innovate since there's little competition, and restricted output and inflated prices, which arise due to lack of competition, can lead to deadweight loss as well.[6] The Courts and regulatory bodies like CCI play an important role in preventing monopoly abuse, promoting fair pricing, ensuring new market entrants are not unfairly blocked and encouraging consumer welfare and efficiency as well.

[6] R. Bork, The Antitrust Paradox: A Policy at War with Itself 195 (1978)

DISCUSSION ON THE CASE

Facts of the Case: The Supreme Court examined whether CCI had the authority to investigate and regulate monopolistic behaviour under the Competition Act, 2002. SAIL, a dominant player in the steel industry, had an exclusive agreement with the National Mineral Development Corporation (NMDC) for the supply of iron ore, restricting competition. JSPL argued before the court that SAIL's practices restricted fair competition by denying fair access to essential raw materials (iron ore and steel) using its dominant position, harming market efficiency.[7] The key legal issues that arose in this case were whether SAIL’s actions constituted an abuse of dominant position under the Competition Act, 2002 and whether SAIL was required to seek prior approval before appealing to the Competition Appellate Tribunal (COMPAT).

Market Failure Identified: The market failures that were identified by the court were:

Abuse of Dominance: The control on the supply of raw material is one of the sources of market power, and here, SAIL’s control over raw materials prevented smaller firms from competing fairly, hence abusing its dominance power

Barriers to Entry: High dependence on dominant firms for raw materials discourages new entrants, reducing competition as well as innovation.

Reduced Consumer Welfare: Lack of competition leads to higher prices, lower consumer choice, and lower product quality, thereby hindering the overall market efficiency.

Verdict: The Supreme Court of India’s decision in this case highlighted a turning point in the development of Indian Competition law. It reinforced CCI’s role in regulating market distortions. The Competition Act would apply to all businesses, regardless of ownership, and anti-competitive actions, even by GOEs (Government-owned enterprises), and it can be scrutinised, according to the Supreme Court's ruling, which upheld the CCI's jurisdiction and deemed the agreements anti-competitive. This historic decision considerably expanded the Act's scope. Further, the Supreme Court held that, “During an inquiry and where the Commission is satisfied that the act is in contravention of the provisions stated in Section 33 of the Act, it may issue an order temporarily restraining the party from carrying on such

[7] Competition Comm'n of India v. Steel Auth. of India Ltd., (2010) 8 SCC 358.

act."[8] The Court observes that the main objective of competition law is to promote economic efficiency using competition as one of the means of assisting the creation of a market responsive to consumer preferences. The verdict ensured fair market access by preventing anti-competitive practices and set a precedent for stricter enforcement of competition laws in India.

RECOMMENDATION

To further build on the progress made by this and similar landmark rulings, and to ensure that India's competition law framework remains robust amid evolving market conditions, several recommendations follow:

Strengthening Enforcement and Penalties: While the CCI possesses the statutory power to impose penalties, there is a clear need for more stringent and consistent enforcement. The SAIL case demonstrated that even government-owned enterprises cannot claim immunity from competition law. To deter anti-competitive behaviours meaningfully, penalties should be substantial enough to render such conduct economically irrational.

Expediting Adjudication and Minimising Delay: The efficacy of competition law is closely linked to the speed of enforcement. Institutionalising the SAIL verdict's emphasis on reducing procedural delays is crucial. Establishing dedicated benches within the NCLAT, or other appellate bodies, would help prevent backlogs. Additionally, implementing robust case management systems within the CCI and appellate forums would ensure that investigations and hearings adhere to strict timelines.

Proactive Market Surveillance: Relying solely on complaints is insufficient, especially given the rapid evolution of sectors like technology and e-commerce. The CCI should adopt a proactive approach by recruiting personnel with expertise in digital markets, data analytics, and platform governance. Regularly conducting Suo motu market studies in industries prone to market failure would further strengthen oversight.

Fostering a Competitive Environment: Effective competition policy extends beyond enforcement. Collaboration between the government and the CCI is essential for promoting competitive market conditions. Advocacy initiatives aimed at educating businesses, particularly SMEs, about the benefits of competition law will foster greater compliance and encourage the reporting of unfair practices. Furthermore, the CCI must closely scrutinise

[8] Id. at 368

restrictive agreements, particularly in the digital economy, where the Competition (Amendment) Act, 2023, introduces important tools such as the “deal value threshold.”[9]

Continuous Legal Reform: Maintaining the relevance of the Competition Act, 2002, requires ongoing review and refinement. Recent amendments, such as the introduction of settlement and commitment mechanisms, offer practical alternatives to protracted litigation. Providing greater clarity on key terminology—such as “dominant position” and “relevant market”—will reduce ambiguity and improve predictability for businesses.

CONCLUSION

The Competition Commission of India v. Steel Authority of India Ltd. judgment stands as a clear demonstration of the judiciary’s crucial function in addressing market failures. By affirming the CCI’s authority and closely examining anti-competitive actions by a major public-sector company, the Supreme Court not only corrected a specific market distortion but also strengthened the core tenets of Indian competition law. The decision against SAIL’s abuse of dominance underscores how effective judicial intervention turns legislative intent into real benefits for both the market and its participants.

Still, it would be naïve to assume this verdict marks the end of the journey. Markets are constantly evolving, especially with rapid technological advancements redefining traditional boundaries. Regulators can’t afford to remain static; ongoing reforms are essential. This means not just tougher enforcement, but also fostering a culture where compliance is the norm, not the exception. Advocacy and education play a big role here.

Ultimately, the success of competition law depends on its clarity and predictability. Ambiguity around terms like “dominant position” and “relevant market” only breeds confusion, making it harder for businesses to know where they stand. Providing sharper definitions and clearer guidance will reduce uncertainty and help cultivate a fairer, more transparent marketplace. At the end of the day, that benefits everyone involved.

REFERENCES

1. Bork, R., The Antitrust Paradox: A Policy at War with Itself (1978).
2. Competition Comm'n of India v. Steel Auth. of India Ltd., (2010) 8 SCC 358.

[9] The Competition (Amendment) Act, 2023, No. 9, Acts of Parliament, 2023 (India).

3. The Competition Act, 2002, No. 12, Acts of Parliament, 2003 (India).
4. The Competition (Amendment) Act, 2023, No. 9, Acts of Parliament, 2023 (India).
5. Krugman, P. & Wells, R., Microeconomics (4th ed. 2015).
6. Mankiw, N. Gregory, Principles of Microeconomics (8th ed. 2017).
7. Sharma, A., & Gupta, R., The Role of the Judiciary in Shaping India's Competition Law: A Critical Analysis of the SAIL Judgment, 15 Ind. J. Competition L. 45, 45-68 (2015).
8. Bain, J. S., Barriers to New Competition: Their Character and Consequences in Manufacturing Industries (1956).
9. Singh, V., & Malhotra, S., Competition Law of India (4th ed. 2022).
10. Competition Comm'n of India, Annual Report 2022-23 (2023).
11. Sharma, A., & Gupta, R., The Role of the Judiciary in Shaping India's Competition Law: A Critical Analysis of the SAIL Judgment, 15 Ind. J. Competition L. 45, 45-68 (2015).