



New Year, New Project: Turning the Focus to Competition Policy for 2013

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This month the ICN launched a new project to prepare guidance on reviewing the competitive effects of proposed and existing government regulations.¹ Specifically, the ICN will develop recommended or best practices for competition agencies on conducting and promoting competition impact assessments.

The project is born from the recognition that in the current economic climate, competition agencies must work hard to advocate competition principles with policymakers and stress the importance of competition considerations in formulating economic policy. Of course, competition agencies have an essential enforcement role to play in stopping cartels, preventing anticompetitive mergers, and addressing private anticompetitive conduct, including abusive monopolists, that harm consumers – and the ICN will continue to focus on enforcement matters. However, laws and regulations that restrict competition directly, or through rules that artificially favor some competitors over others, can impose huge costs on the economy that dwarf the costs of private anticompetitive restraints. As stewards of competition policy, competition agencies need to consider these anticompetitive government restraints in addition to their enforcement role.

One way of addressing anticompetitive public restraints is for the competition authority to help identify restrictions most inimical to competition in proposed and existing regulations, and as appropriate, help policymakers evaluate the welfare costs of the regulation. Competition agencies can also work with policymakers to consider alternative means to accomplish the same policy goals in a less costly manner. Even if the policymakers choose not to adopt an alternative means, the assessment makes explicit the economic cost of the regulation, which can inform the implementation of the regulation under review as well as inform similar or related rules and regulations.

The new ICN project will equip competition agencies with best practices for working with policymakers to consider how a particular regulation can effect competition. The work will help promote informed intervention by encouraging policymakers to consider carefully the choice of a particular tool as well as its costs, and to help policymakers choose the tool that will achieve the intended policy objective with minimal effect on competition.

The ICN begins this project as competition agencies around the globe are engaged in similar efforts to promote competition assessments and competition policy at home. Competition agencies from Bulgaria, Chile, Colombia, France, Gambia,

¹ See project proposal, available at: <http://www.internationalcompetitionnetwork.org/uploads/library/doc862.pdf>

Indonesia, Lithuania, and Spain have recently issued guidelines on competition assessment of legislation. Earlier this month the Chairman of the Australian Competition and Consumer Commission traveled to Mexico to share the experience of Australia's National Competition Policy reform program with Mexico and others who may want to use the Australian experience as a possible model for broad based competition reform.² Next month, Joaquín Almunia, Vice-President of the European Commission, will host the 2013 European Competition Forum, bringing together participants from governments and competition enforcement agencies, the business world, and the legal and economic communities for a debate about EU competition policy in the context of important wider economic issues for the EU. On the margins of the April 2013 ICN annual conference in Warsaw, the World Bank will host a one-day event on how competition policies make markets work for sustainable growth.

These initiatives and many others reflect the growing awareness and consensus that promoting competition policy is fundamental for economic growth, and that competition agencies' work in the broader agenda can have significant economic impact. The Mexican experience is illustrative of how one of the most effective tools the Federal Competition Commission (CFC) has is the CFC's ability to introduce competition principles into and conduct competition assessments of proposed and existing laws and regulation. In the transport industry, adoption of CFC opinions helped open airline markets to low cost entrants, resulting in an additional 5 to 10 million domestic passengers each year. In another example, Mexico's National Health Services found that adopting the CFC recommendations about introducing more competitive bidding translated into nearly US\$3 billion in cost reduction over a three year period. In the area of pensions, adopting CFC recommendations translated into a savings of US\$51 million for Mexican workers in the first year alone. These are just a few of the many examples of how the work the Commission does to advocate competition policy and assessments has a significant impact on the domestic economy.

In preparing the best practices on competition assessment, the ICN will build on individual member experiences with assessments, as well as the excellent work the OECD has done in creating the Competition Assessment Toolkit and the OECD's Council Recommendation on Competition Assessments.³ The ICN practices will help competition agencies review existing and proposed regulations to identify

² Rod Sims, "Driving prosperity through effective competition", January 7, 2013. Speech delivered at the 2013 Foro Mexico, available here: <http://www.internationalcompetitionnetwork.org/uploads/library/doc858.pdf>.

³ The OECD's Competition Assessment Toolkit is available here: <http://www.oecd.org/daf/competition/competitionassessmenttoolkit.htm>.

government-imposed restraints on competition, and when appropriate, to engage in or advocate for an evaluation of the welfare impact of particular restraints.

The ICN's Advocacy Working Group aims to have a draft of the best practices available for discussion at the ICN's annual conference in Warsaw, April 24-26, 2013.⁴

⁴ For more information about the project, please contact enlacecrc@cfc.gob.mx.