

# CRCAL Presents: Overview of its Second Annual Meeting in Lima, Peru

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The Regional Competition Center for Latin America (CRC AL) held its Second Annual Meeting in Lima Peru on September 5, 2013 back to back with the XI Latin American Competition Forum. With the support from the Organization for Economic Development (OECD), the Inter-American Development Bank (IDB) and the Peruvian Competition Authority (known as INDECOPI), CRC AL presented some of its guidelines and sector studies developed during 2012 and 2013.

Eduardo Pérez Motta, former president of the Mexican Federal Competition Commission, Mario Umaña, Leader Specialist in Integration, Commerce and Competition from the IDB, and Hebert Tassano President of INDECOPI gave welcome speeches highlighting that after two years of operation CRC AL has become a mature, institutionalized and well-recognized organization.



Thereafter, Marc Ivaldi, Professor from the Industrial Economic Institute from Toulouse France, presented a preliminary draft of the CRC's Guideline on Efficiencies Assessment. The guideline posits that, along with possible anticompetitive effects, mergers may as well create certain efficiencies that can reinforce firms' incentives to compete, thus mitigating or even offsetting the first negative impact.

The report also provides guidance to competition agencies on how to evaluate efficiencies in merger investigations. It contains the list of possible merger-related efficiencies and, necessary references with examples and best international practices that can be used by both competition agencies and potential external users. Another interesting feature of the report is that it does not articulate any preferences towards any type of efficiencies and allows Competition Authorities to choose to apply weights for different efficiencies depending on the adopted standard for assessing mergers.

Russ Damtoft from the Federal Trade Commission commented the guideline providing an interesting point of view on how an extremely experienced competition agency deals in practice with efficiencies. Damtoft clearly stated that an assessment of efficiencies must follow three important criteria: 1) it must be merger specific; 2) the efficiency must be measurable and likely verifiable and; 3) it must not be a reduction of output or increase in price derived from the merger or practice being assessed. The guideline will be finished by the end of October and submitted to CRC AL members' approval before being published in the Center's Webpage.

During the second part of the event, Aldo González, Professor from the Universidad de Chile, presented the CRC AL members the Latin American Airline Sector Study.<sup>1</sup> This study provides a set of concepts and methodological tools to address the most common antitrust

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<sup>1</sup> This sector study is still under peer review by the World Bank

issues encountered in the airline industry. An important feature of this guide is that the document offers practical examples of the application of these concepts, referring to actual cases solved by competition authorities in Latin America. This reference paper also explains in detail how the allocation of slots for takeoff and landing may constitute an entry barrier in the absence of an efficient allocation mechanism. Moreover, the sector study offers a recommendation for competition authorities and sector regulators on what elements should be considered when defining a relevant market and assessing possible efficiency gains. The report also contains an account of the pros and cons to be considered in horizontal and vertical mergers in this industry. Professor Germán Coloma from Cema University in Buenos Aires, Argentina, provided comments for this sector study, highlighting its value for the region.

Professor Coloma explained how industry specific regulation may, at times, offset the potential positive effects of the entry of new players. A final draft of the study is available at the CRCAL website.

To conclude the event, CRC AL presented the first prototype of the Regional Search Engine Database for Competition Resolutions. Once finished, this search engine will allow interested parties to find resolutions on competition matters from each of the 14 members of the CRC AL. The central objective of this project is disseminating knowledge on how to deal with competition cases among competition agencies and learn from each country's experience in solving antitrust matters. The first phase of the project, which will be finished in December 2013, will allow the users to search and access the most important competition agencies resolutions from 2013 onwards. The second phase of the project, that will start next year, will seek to feed the database with historical records regarding competition resolutions in the Latin American region.

It is also worth noting that on September 6, 2013 the CRC AL and REGULATEL (an organization that coordinates telecommunication regulators from Latin America) held their first joint meeting. During the event, Reinald Krueger, from the European Commission presented how this authority deals with competition issues in the telecom sector. On behalf of CRC AL, consultant Geoffrey Cannock presented the Telecommunication Sector Study for the Latin American Region written by Martin Cave et al in 2012. The meeting concluded with the telecommunication regulators from El Salvador and Peru presenting landmark cases from their countries. This first meeting represents an initial effort to find common goals and themes for the future development of projects between horizontal and telecom regulators in Latin America.

