



Competition Commission of India

Presentation on

Overview of Competition Law and Policy

by

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to

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India's new Competition Law

- Competition Act, 2002 enacted in January 2003.
- Competition Commission of India established in October 2003.
- Has one Member /Acting Chairman, plus small complement of staff.
- Provisions regarding Competition Advocacy notified.
- Substantive enforcement provisions not yet notified.
- Amendment Bill introduced and is under consideration of Parliament.

Why Competition ?

- Competition promotes allocative and productive efficiencies, innovation, consumer welfare, and economic and political democracy.
- Is an essential condition for national competitiveness
- Empirical studies/evidence from several countries testify to benefits: Australia, US, UK, New Zealand.
- *Benefits in India already visible*

Roles of Competition Law and Policy

Competition Policy has two elements:

- Competition Policy – set of policies that enhance competition, give primacy to market forces, allow entry and exit, reduce controls, minimize regulation, etc. *Most countries migrating to competition-oriented, market-based policies.*
- Competition Law – Law to prohibit anti-competitive practices and regulate potentially anti-competitive mergers; and prevent unwarranted government/regulatory intervention. *Over 100 countries have adopted modern competition laws.*

Role of Competition Commission of India

- Act provides for a Commission to:
 - eliminate anti-competitive practices,
 - promote and sustain competition,
 - protect consumers' interests,
 - ensure freedom of trade.
- Commission's role is normally ex-post, not ex-ante (except in mergers).
- Commission is off-market, not in-market, regulator – unlike other regulators. *Can be likened to a referee.*

What is Prohibited ?

- Agreements having *AAEC**, including cartels.
- Abuses of dominant position.
- Combinations that have, or likely to have, *AAEC** - *provides for Regulation of Combinations*

*AAEC: “appreciable adverse effect on competition”

Anti Competitive Agreements - Examples

➤ Horizontal Agreements, including cartels, which:

- Fix (determine) prices
- Limit or control production, supply, technical development, etc.
- Allocate areas or customers
- Bid rigging or collusive bidding.

Presumed to have 'AAEC'

➤ Vertical agreements such as:

- Tie-in
- Exclusive supply/distribution
- Refusal to deal
- Resale price maintenance

Subject to "rule of reason"

Abuse of Dominance - Examples

- Not dominance, but its abuse is prohibited.
- Dominance determined by several factors e.g. market share, share of competitors, entry barriers, size and resource of enterprise /competitors, etc.
- *Examples of abuse*
 - Exclusionary – predatory pricing, denying market access, use dominance in one market to enter other relevant market.
 - Exploitative – discriminatory price/condition

Regulation of Combinations - Examples

- Combination includes merger, amalgamation, acquisition of shares, acquiring of control. Can be horizontal, vertical, conglomerate.
- Liberal Regime:-
 - Very high threshold limit; smaller combinations outside regulation
 - Voluntary, not mandatory, notification
 - Disposal within 90 working days, failing which deemed approval.
 - But suo moto inquiry possible.
- Worldwide, vast majority of mergers not interfered with by competition authorities.

Remedies in Competition Act

- Cease and desist order
- Penalty up to 10% of turnover
- In case of cartels, penalty 10% of T.O. or three times of cartelized profit, whichever is higher.
- Compensation (damages)
- Agreement having AAEC is void
- Order can modify agreement
- In case of Combination – can be approved, approved with modification, or refused approval.
- In case of dominant enterprise – order can recommend division.

Consumer & Competition Act

- Competition maximizes consumer welfare
- Consumer can approach Commission.
- Consumer in Competition Act not confined only to “end consumer”
- In addition to award of compensation to a consumer in a given case, a consumer may pray for stoppage of any anti-competitive practice of any respondent
- Compliance of Competition Law by any other stakeholder, ultimately benefits consumer.

Competition Act and MRTP Act

Based on liberalized regime

- Competition concepts expressly defined; major role for economic analysis
- Provides for regulation of combinations
- Provides for advocacy
- Power to impose penalty – deterrence factor
- Statutory authority can seek CCI's opinion
- Government Departments within its ambit

Based on command and control regime

- Competition concepts not expressly defined
- No regulation of combinations
- Has no advocacy role
- No power to impose penalty
- No provision for statutory authorities to seek opinion
- Government Departments outside its ambit

Important concepts in Competition Act

- Relevant market-- relevant product market, relevant geographic market.
- AAEC- based on appreciable adverse effect on competition
- Dominant position
- Effects doctrine
- Neutrality between private/government
- Economic analysis extensively used

Competition Advocacy and Public Awareness

➤ Competition Advocacy

- With Government/Regulators, to promote pro-competition policies, laws, regulations.
- Competition principles interface with policies relating to: disinvestment, concessions, industrial/sector policies, subsidies, international agreements, entry/exit policies, etc.

➤ Public Awareness

- with industry, chambers, trade associations, etc. to strengthen compliance and competition culture.

Present activities of Competition Commission

➤ Professional ground work:

- Study of economic, legal concepts
- Market studies/research projects through reputed institutions
- Draft regulations
- Competition Forum
- Close networking with experts

Present activities

Cont...

➤ Competition Advocacy:

- Advocacy with central government ministries; preparation of draft National Competition Policy
- Advocacy with state governments
- Seminars, workshops (So far 28)
- Interaction with chambers, associations, professional institutions
- Advocacy literature
- Advocacy with 140 universities/institutions

Present activities

Cont...

- Administration and capacity building:
 - Training of staff, within and outside country
 - Implementation of capacity building projects, with overseas assistance
 - Library
 - Website
 - Model is lean, professional organisation

How enterprises can achieve compliance?

A guide of OFT, UK states:

- Compliance important because consequences potentially serious: investigation, penalty, damages, voidance of agreements, adverse publicity.
- Businesses advised to raise awareness among employees, especially those in sales, marketing, purchasing.
- Large businesses advised to have formal compliance programme, with four suggested features:
 - Support of senior management
 - Appropriate policy and procedures; compliance manual incorporating clear policy statement, giving provisions of competition law, examples of prohibited behavior, etc.
 - Training
 - Regular evaluation
- Compliance programme is mitigating factor for OFT; involvement of senior management is aggravating factor.

Role of Associations

Observations in OFT's Guide:

- Functions of Trade Associations are useful to members
- May also be beneficial in increasing efficiency of markets.
- However, Trade Association may take care not to be used directly/indirectly as vehicle for anti-competitive activity.

(Trade Association can facilitate compliance by generating awareness, educating members, etc)

Disclaimer

This presentation provides only an introduction to competition law, and should not be relied on as a substitute for the law itself.

Further, this presentation is subject to any changes which may be made in the competition law at anytime in future.



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