

The Competition Commission of India (Competition Assessment of Legislations and Bills) Guidelines, 2015
(Framed under section 49 (1) and (3) of the Competition Act, 2002)

The Competition Commission of India (the Commission) is established under the Competition Act, 2002 (the Act) with the objectives to prevent practices having adverse effect on competition, to promote and sustain competition in markets, to protect the interests of consumers and to ensure freedom of trade carried on by other participants in markets, in India, and for matters connected therewith or incidental thereto. It is mandated, *inter alia*, to (a) give opinion on a reference from Central Government or a State Government on possible effect on competition of a proposed policy, and (b) take suitable measures for the promotion of competition advocacy, creating awareness and imparting training about competition issues. It pursues its objectives mainly through two sets of instruments, namely, advocacy and sanctions targeted at enterprises. While these two measures are complementary, advocacy ‘ex ante’ ensures freedom of trade by enterprises and achieves ‘fair competition for greater good’.

A. Preamble

India adopted a new economic order in the early 1990s. This empowered the invisible hands of the market, namely, demand for and supply of goods and services to determine two major outcomes, namely, quantities to be produced / supplied in the economy and prices at which these are to be exchanged. The invisible hands may occasionally malfunction in the presence of information asymmetry, externalities or market power. State usually intervenes to address these concerns to prevent market failure. The State intervenes in the market and the economy by (a) enacting legislations and subordinate legislations that define the contour of the freedom of economic agents and their rights and obligations, and (b) formulating economic policies relating to trade, commerce, industry, business, investment, disinvestment, fisc, taxation, IPR, procurement, etc. These interventions usually strengthen the invisible hands of the market and promote competitive neutrality as well as competition. However, despite best intentions and exercise of the best of the skills, care and due diligence, these may inadvertently carry potential to restrict the ability of economic agents to effectively compete at the market place.

The full benefits of competition can be realized if the market structure resembles perfect competition. A competitive market generally has four salient features, namely, (a) there is large participation on both sides - supply and demand; (b) there is free entry and exit of players; (c) there is perfect symmetry of information; and (d) every player is a price taker. It is necessary to ensure that no state intervention unnecessarily humbles any of these four features significantly.

Many jurisdictions have programmes to evaluate the existing/upcoming economic legislations from the perspective of competition. This aims to identify the elements that may have potential to restrict the ability of economic agents to effectively compete at the market place or limit the choices of consumers. It is reported that Australian Government in mid-1990s launched competition impact assessment of its economic policies and found about 1800 instances of competition distortions. Removal of these distortions eventually allowed the economy to grow faster and benefitted the consumers substantially.

In sync with its mandate and the role of competition in economic development, the Commission wishes to assess select economic legislations / bills from the perspective of competition and share the assessment with the associated stakeholders.

B. Objective

The objective of these Guidelines is to facilitate objective and transparent assessment of select economic legislations enacted recently by Parliament or State Legislatures and also the economic bills pending or coming up before them in near future from competition perspective. Based on the assessment, the Commission would suggest, if necessary, appropriate modifications in the legislation or the bill, as the case may be, along with the reasons for the same from the competition perspective, to the relevant stakeholders, including Parliament / State Legislature, the Administrative Ministry or the Department of the Government which has piloted the legislation / bill, and the Standing / Select Committee of the Parliament / State Legislature that examines the bill. This would complement the proactive role of the Commission in preventing any provision inadvertently sneaking into law that may have potential appreciable adverse effect on competition.

C. Legislations / Bills for Assessment

While the number of legislations / bills to be assessed in a year would depend on the resources with the Commission, legislations / bills identified by the following three sources would be considered for assessment from competition perspective:

- i. The Advocacy Division of the Commission will continuously scan the economic legislations enacted in the preceding one year and the economic bills pending or coming up before the Parliament or any State Legislature and identify legislations / bills, which may potentially have adverse effect on competition, for assessment;
- ii. Any Government Agency, including regulators, may refer any legislation / bill to the Commission for competition assessment; and
- iii. The Commission may identify any legislation / bill for assessment.

The legislations / bills referred to / identified at (i) and (ii) above would be taken up for assessment only if it is approved by the Commission.

D. Panel of Expert Institutions

The Commission shall maintain a Panel of 5-7 reputed institutions to carry out initial competition assessment of the economic legislations /bills referred to them. The institutions must have expertise in law, economics, finance or management. The institutions would be selected by a selection committee constituted by the Commission based on evaluation of their abilities as demonstrated by them in a sample competition assessment submitted by them in response to a public advertisement. The Panel of institutions would be displayed on its web site.. Unless removed from the Panel for reasons to be recorded in writing on file, an institution shall remain on the Panel for a period of three years. It would, however, be eligible to be empanelled again subject to meeting the requirements.

The Commission may arrange for training of the professionals of the institutions in the Panel on the methodology of competition assessment of legislations / bills and share its expectation from them while making competition assessment.

E. Process of Assessment

As soon as a legislation / bill is identified by the Commission for competition assessment, it will be assigned to (i) an institution in the Panel depending on **its** interest, expertise and experience, or (ii) an in-house team of officers. The Commission will decide as to which legislation / bill will be assigned to an institution or to an in-house team for assessment and if assigned to an institution, the honorarium to be paid for the assessment. The institution / team must give an assessment of the legislation / bill in the annexed format within 15 days of the receipt of the assignment. The assessment shall carry findings, observations and suggestions for modification of the legislation / bill along with the rationale for the same. The Advocacy Division shall examine the assessment of the institution / team and shall submit its views along with the assessment for consideration of the Commission within 15 days of the receipt of the assessment. The Commission shall form its views at the earliest and, if it considers necessary, shall suggest modifications in the legislation / bill from competition perspective to Parliament / State Legislature, the Administrative Ministry or the Department of the Government which has piloted the legislation / bill, and the Standing / Select Committee of the Parliament / State Legislature that examines the bill. The assessment of the institution / team and the modifications suggested by the Commission in the legislation / bill shall be placed on the web site of the Commission.

F. Obligations of Expert Institution

The institution must give its assessment within 15 days of its receipt. **It** shall exercise full care and diligence to ensure that **its** assessment is of very high quality. The Commission shall examine if the assessment made by the institution is satisfactory. If it is satisfactory, it shall pay, within 15 days of receipt of the assessment, the honorarium indicated at the time of assignment.

G. Criteria for Assessment

The legislation/ bill shall be assessed from the competitive perspective. In particular the assessment shall address if the legislation / bill has any provision which could:

- a. cause appreciable adverse effect on competition in the relevant market in India;
- b. humble any of the salient features of a competitive market;
- c. restrict the freedom of players in the market and choices of consumers; or
- d. be in disharmony with the objectives of the Competition Act, 2002.

While determining the above, the assessment should take into account the factors listed in section 19(3), 19(4) and 20(4) of the Act.

H. Effect of the Guidelines

These Guidelines shall be effective from January 1, 2016 and remain in force until further reviewed by the Commission. The Commission may relax any of these Guidelines in deserving cases. It may discontinue the Panel of institutions / these Guidelines at any time without any notice.

Format of Competition Assessment

1. Name of Legislation / Bill
2. Current Status of the Legislation / Bill
3. General Competition Assessment

Please elaborate in 500-800 Words

4. Does the legislation / bill have any provision which could cause appreciable adverse effect on competition in the relevant market in India?

Please elaborate.

5. Does the legislation / bill have any provision which could humble any of the salient features of a competitive market, namely, free entry and free exit, number of players, perfect symmetry of information, and ability and motivation of players to compete?

Please elaborate.

6. Does the legislation / bill have any provision which could restrict the freedom of players in the market and choices of consumers?

Please elaborate.

7. Does the legislation / bill have any provision which could be in disharmony with the objectives of the Competition Act, 2002, namely, prevention of practices having adverse effect on competition, promotion and sustenance of competition in markets, protection of the interests of consumers, and freedom of trade carried on by other participants in markets, in India?

Please elaborate.

8. (a) List out the provisions in the legislation / bill which has potential to affect competition adversely:

Sl. No.	Clause / Section of Legislation / Bill	Likely Effect on Competition (Please elaborate)
i		
ii		
iii		
iv		
v		
..		
..		
..		

(b) Are the above provisions absolutely necessary in the present form to achieve the objectives of the legislation / bill?

Please elaborate.

9. (a) Please suggest modification required in the legislation / bill in the interest of competition:

Sl. No.	Clause / Section of Legislation / Bill	Modifications Required from competition perspective (Please elaborate)
i		
ii		
iii		
iv		
v		
..		
..		
..		

(b) Do the above modifications, if incorporated, come on the way of achieving the objectives of the legislation / bill?

10. Is there any countervailing factor that could possibly justify any anti-competitive element(s) in the legislation / bill?

Please elaborate keeping in view responses to item Nos. 8 and 9 above.

Signature
On behalf of the Institution
Or
Signature(s)
Officers of the in-house Team
Date