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DAF/COMP/GF(2008)5

Organisation de Coopération et de Développement Economiques
Organisation for Economic Co-operation and Development

28-Sep-2007

English - Or. English

**DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS
COMPETITION COMMITTEE**

Global Forum on Competition

THE INTERFACE BETWEEN COMPETITION AND CONSUMERS POLICIES

A CALL FOR COUNTRY CONTRIBUTIONS

(Note by the Secretariat)

-- Session V --

This note by the Secretariat is circulated for the preparation of Session V of the Global Forum on Competition (21-22 February 2008). Countries are invited to submit their contributions on the basis of this note by 15 December at the latest.

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JT03232890

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CALL FOR COUNTRY CONTRIBUTIONS

Session V: The Interface between Competition and Consumer Policies

1. This paper is circulated in preparation of the roundtable discussion to be held in Session V of the Global Forum on Competition (21-22 February 2008). Session V will discuss the Interface between Competition and Consumer Policies. It will outline the key principles underpinning the linkages between competition and consumer policies. This will include concrete examples of how competitive markets can promote consumer interests, and likewise how effective consumer policy can assist the competitive process. The discussion will also consider when the objectives of ensuring competitive markets conflict with other consumers' interests, particularly taking into account the situation in developing countries where the competitive process may not be well established.

2. A key objective of both competition and consumer policy is to deliver well-functioning markets, which require both a strong supply side (competition) and a strong demand side (consumers). This session will also discuss the pros and cons of institutional design for the enforcement of competition and consumer laws. This will include presentations from both a dual-function agency as well as separate agencies from the same country.

3. Presenters will be selected on the basis of the written contributions submitted to the Secretariat in response to this call. All participating countries are invited to prepare such contribution. The papers should be submitted **by 15 December 2007 at the latest** in electronic versions (preferably in Word, 5 pages maximum in English or French). They will be circulated to other participants through the OECD website and included in the CD ROM of the Competition Division. An early confirmation **by 15 October** that your country will prepare a contribution would help the Secretariat to better plan ahead its work (laurence.langanay@oecd.org).

Background

4. A key objective of both competition and consumer policy is to deliver well-functioning markets, which requires both a strong supply side (competition) and a strong demand side (consumers). For most products, effective competition is the single best protection for consumers, although there may also be a need for consumer protection against fraudulent and misleading practices and unsafe products, for example. However, it is worth noting that firms in some competitive markets voluntarily offer product guarantees and the like which go well beyond what is legally required.

5. Some markets require more explicit consumer protection measures. The products or services may be complicated (e.g., mortgages, loans and related financial products), suffer from information gaps (e.g., it is difficult to know how safe a car is until it has been used), or may be purchased from vendors using high pressure sales techniques or under conditions of duress (e.g., funeral services, doorstep selling). However, if they are purchased frequently by consumers, or if word-of-mouth is effective, policies which ensure adequate competition among producers may be sufficient. For other products, additional policy interventions may be needed.

6. Competition often helps consumers by improving information flows to consumers, often using new technology, e.g., comparative advertising, price comparison websites, reader comments on *Amazon.com*, seller ratings on *eBay*. That said, one can think of a few situations in which competition does not actively help consumers. For instance, if sellers can with impunity attract customers with misleading advertising, competitive pressure may not prevent firms from doing this. And if (some) consumers

systematically misperceive their environment (e.g., the probability that a new TV will break-down, or that a particular “natural health cure” is effective), or can be persuaded to do so, then even a competitive market will exploit them.

7. Effective consumer policy also is a key element in ensuring that markets work well. Even robust competition cannot always ensure that suppliers do not engage in deceptive business practices and that consumers are always in a position to take well-informed decisions. Consumer protection ensures that consumers can make well-informed decisions and can hold sellers to the promises they make about their products. Sometimes, consumer policy can improve the competitive process, e.g., transparency requirements (such as prominent display of a standardised “APR” for consumer credit) facilitate price comparisons. Or public “name and shame” campaigns amplify reputation effects. But sometimes heavy-handed consumer policy (e.g., ceilings on interest rates) may rule out options which active consumers many want and which the market would otherwise deliver. Sometimes, a policy-induced focus on one dimension of the product (such as headline price) may lead to worse performance on others (such as product quality). Tight licensing of professions may help consumer concerns for quality, but at the expense of raising price.

8. An increasing part of consumer policy is less concerned with the act of purchasing, but rather with consumer privacy. Sometimes, the right to privacy may conflict with the competitive process (e.g., if consumers sign up to “do not call” lists then direct marketing is curtailed).

9. Sometimes competition and consumer policy are the responsibility of a single agency, and sometimes separate agencies are involved. The former setting (so long as the two divisions really interact) has the advantage that consumer policy is more likely to be informed by the benefits of competition and economic efficiency, and competition policy is informed by an awareness of effects on consumers. Also, country approaches to consumer policy currently vary more than approaches to competition policy. With globalisation, it may be more desirable to achieve international consensus on consumer policy; otherwise a firm with a global marketing strategy may have to adapt to the most restrictive consumer policy regime.

Questions for written contributions

Countries are invited to address the issues identified in the above description of the content of the background paper to be issued for Session V.

In addition, they are invited to respond to the questions below.

1. How does consumer policy interact with competition policy in your country, if at all? Can you give examples where they have conflicted? Where have they been complementary?
2. What do you feel are the benefits and drawbacks to your own country's choice of "dual-function" or "separate agencies" for handling competition and consumer policy?
3. Has your country required that "no frills" versions of complicated products be offered, to help vulnerable consumers? If so, who provided the product and how was its supply enforced? What was the effect on competition, if any?
4. Can you identify areas where a better convergence of both competition and consumer policies globally would be beneficial?
5. Can you provide examples of sectors or products where an increased international cooperation between competition authorities and consumers representatives could render the markets more competitive while ensuring an adequate protection of consumers around the globe?