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**Global Forum on Competition**

**THE INTERFACE BETWEEN COMPETITION AND CONSUMER POLICIES**

**Contribution from Russia**

-- Session IV --

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## THE INTERFACE BETWEEN COMPETITION AND CONSUMER POLICIES

1. Since January 2007, according to the data of the Federal Service on State Statistics the price on minimal grocery set in the Russian Federation has increased by 17%. The rapid price hikes on the basic products is now surely faster than inflation.
2. FAS Russia, in order to provide a competitive approach and an observance of consumers interests in the situation of price raising on the food market, has taken some measures to lower the growth rate of consumer prices, in particularly on the food market.
3. FAS Regional offices conduct control actions to check the observance of the antitrust legislation by all participants on the food market: suppliers, producers, wholesalers and retailers.
4. After these controls on the retail and wholesale markets of milk, bread, sunflower oil, and poultry, a number of cases were opened against economic entities for antitrust law violations. Most of the violations were competition restraints agreement and concerted actions, and abuses of dominant position.
5. Another area of competition enforcement, conducted by FAS Russia in association with Regional offices relates to the control against the prevention of restriction of free movement of the groceries between subjects of the Russian Federation. Thus, after inspections in a few regions, violations of the restriction of free movement of groceries were detected, and cases against the executive branch of the subjects of the Russian Federation were opened. For example, in some regions there is a restriction on the export of milk products outside the subjects of the Russian Federation, and a restriction on the import of cattle and meat from outside the subjects of the Russian Federation.
6. FAS Russia took part in the preparation of the Agreement on measures adopted on prices stabilisation concerning certain types of socially important groceries that were implemented among various organisations working at retail level and organisations working in groceries production.
7. According to its competence, which is defined by the Federal Law “On protection of competition”, FAS Russia considered the Agreement according to part 2 of the Article 12 and Article 13 of the Competition law. It was found acceptable, as it is only temporary. The Agreement presumes that contracts between producers and retailers, with shares not exceeding 20%, as being unable to restrain competition on the market. This Agreement had social and economic effects such as prices stabilisation on the consumer market of the Russian Federation and the protection of mostly vulnerable population.
8. Another issue is the relationship between outlet chains and suppliers. At present, the fast development of large outlet chains and the growth of their share on the regional retail market of groceries lead to inevitable consequence – the shift of market power from the producers to the retailers, which amounts to a difficult position for the suppliers.
9. The specificity of the relationship in this sphere is that in spite of small shares of economic entities (such as outlet chains), that operate on the market and deficit of trading spots, these economic entities have an ability to influence arising legal relationships and competition on certain markets, in

particular on contracting legal relationships with suppliers, creating discriminatory access to the outlet chains.

10. The current provisions of the antitrust law over the relationship between economic entities do not provide enough empowerment to exercise control over commercial activities. In order to resolve the problem between outlet chains and suppliers, maintain competition on the market, protect groceries producers and suppliers, FAS Russia included provisions of antitrust regulation into the draft legislation “On the basis of state regulation of commercial activities in the Russian Federation”, that provide:

- Reduction of economic entity shares on certain retail markets, upon which its position can be recognised as dominant, up to 15%;
- Reduction of the total economic entity share, in the case of collective dominance on certain retail markets;
- Establishment of geographical borders of retail markets on main activities (household appliances, groceries, pharmaceuticals);
- Application of antitrust provisions to economic entities with a dominant position on certain retail markets, that are operated on neighbouring markets (for example, suppliers market).

11. According to FAS Russia, the introduction of these provisions in the draft legislation will stimulate solutions to specific problems of retail market functioning, competition development in the area of retail, and protection of interest for both outlet chains and producers. It will also be an instrument to balance provision of the interest of the participants to commercial activities.