



TIPS, DOs AND DON'Ts

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Look to other countries for ideas

- One of the most challenging parts of competition assessment is developing reasonable alternatives that still permit competition
- A good source of experience is that of other countries and how regulation is carried out in other countries
- This is one reason OECD work can be helpful, because it can gather good ideas in one domain and share them with others
- The fact that something works in another country would not mean it would necessarily work in Mexico
 - Policies must take account of local conditions



Remember that private sector has a self-interest

- Private sector is an excellent source of knowledge
- May not always push for policies in public interest, but instead push for policies in their own private interest
 - Policy of seeking industry approval before granting import licenses suited existing industry but limited competition



Consult early and often

- When there is a possible problem with competition, deal with that early in the process. How?
 - Apply Mexican checklist
 - If competition possibly restricted, do not hesitate to consult with appropriate experts
 - Seek international experience to develop Mexico-specific alternatives
 - If necessary, revise while still early in process
- Late revisions are harder

Some Lessons Learned

4th Session, Topic 2

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Lesson 1 – Why are we regulating ?

- It's in the nature of Governments to regulate – “*it's what we do*”
- But we should always first ask – (1) who is seeking regulation and why, (2) is it necessary to regulate in this case, and (3) is there another way to get what we want ?
- Three examples from Ireland –
 - 1) Taxis, Grocers, Bar Owners, Professional Bodies – the power of the lobby group
 - 2) Sea Ports – implement structural reform before you regulate
 - 3) Plastic Bags – consumers respond to incentives !

Lesson 2 – Solid evidence base is required

Evidence basis is crucial for reform, so good data is essential

- Sometimes easily available already (taxis, pubs)
- Sometimes has to be unearthed, e.g. by surveys, other Government data sources, academic and even media material (many professions, bank and health insurance switching)
- Sometimes not available or obtainable, but case for/against reform can still be argued from first principles (legal services)

Lesson 3

There is a lot more to reform than just getting the basic analysis right

- Political economy is just as important as good analysis
- So is expertise in media relations
- And awareness of the power of public opinion
- And the power of pressure groups

Examples – pharmacy regulation, legal services reform, taxi regulation

Lesson 4

No one single analytical process leads to reform – many fingers in the pie

- Several Government Departments may be involved
- External consultants, Government-appointed bodies, Review Groups, Regulators etc.
- Competition Authority
- External analysts – OECD, academics, media etc.


A Quote to Finish.....

The process of reform is not neat and pretty, or straight out of a textbook. If it was that straightforward, reform would be easy, and all economic sectors would have been reformed decades ago. No – it is much more complex and subtle. You can produce the most wonderful analysis in the world, which shows that the need for reform is undeniable – but then nothing happens. Why? The answer lies in the subtle art of political economy – the intersection of politics and economics. For brilliant analysis needs more than just brilliance to lead to real action.



COMPETITION WORKSHOP

Mexico City



Session 4 Part 2 : Tips

Mark Ronayne
Mexico, September 25



When Weighing Options Be Aware of Long-Term Competition Effects

- As soon as a market incentive structure is in place, businesses and consumers will begin to adapt.
 - Suppliers and buyers will make financial, emotional or other investments tied to the market structure.
- Trying to fix a broken market structure after it has been put in place much more difficult.

Examples:

- Taxi drivers and Canadian dairy farmers see the money that they have invested in medallions or quotas as a key component of their retirement savings.
- The Ontario government feed in tariff program quickly lead to extensive investments in expensive projects that will have to be paid off by rate-payers over many years.
- The Ontario market water heaters continues to be distorted by a subsidized rental water heater program operated in the 1980s.
 - Ontario is the only place in the world where water heaters are commonly rented. Homeowners are still conditioned to rent water heaters based on a cross-subsidized rental water program during the 1980's.



Seek Independent Expert Advice

- Seek out and use independent expertise to get a balanced view.
- Experts hired by businesses and other stakeholders are paid to represent their clients' view.
 - Will not tell the whole picture.
- Where needed hire economic and sector experts to represent the broader public interest.
 - University economics and business departments, sector business and financial analysts, competition agencies, consultants and consulting firms.



Don't Be Too Concerned About Competition Assessment

- Assessing the competitive effects of proposed interventions is largely common sense.
- Often assessments likely to be relatively easy and straightforward.
 - A ban placed on advertising of harmful products to children may draw a positive checklist response but any competition effects irrelevant compared to health effects.
- Established approaches and methods exist to deal with cases where more sophisticated competition analysis may be required.