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More documents related to this discussion can be found at www.oecd.org/daf/competition/market-study-methodologies-for-competition-authorities.htm.

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Indonesia

1. Indonesian competition authority or Indonesian Commission for the Supervision of Business Competition (KPPU) was established in 1999 as the body responsible for the Indonesia competition law implementation (Law No. 5 Year 1999). Since its establishment, KPPU is the most active competition in the ASEAN. During the period 1999-2016, KPPU investigated more than 348 cartel cases and most of them were related to the auctions. The accumulated fines until 2017 reached to 2 trillion Rupiah. Besides its role for the law enforcement, KPPU also plays the role for the preventive action such as giving recommendation to the policy makers related to the regulation and Law that have a potentio to break the competition law by using its competition checklist. Furthermore, KPPU established competition compliance guidance for the business sector since 2016.

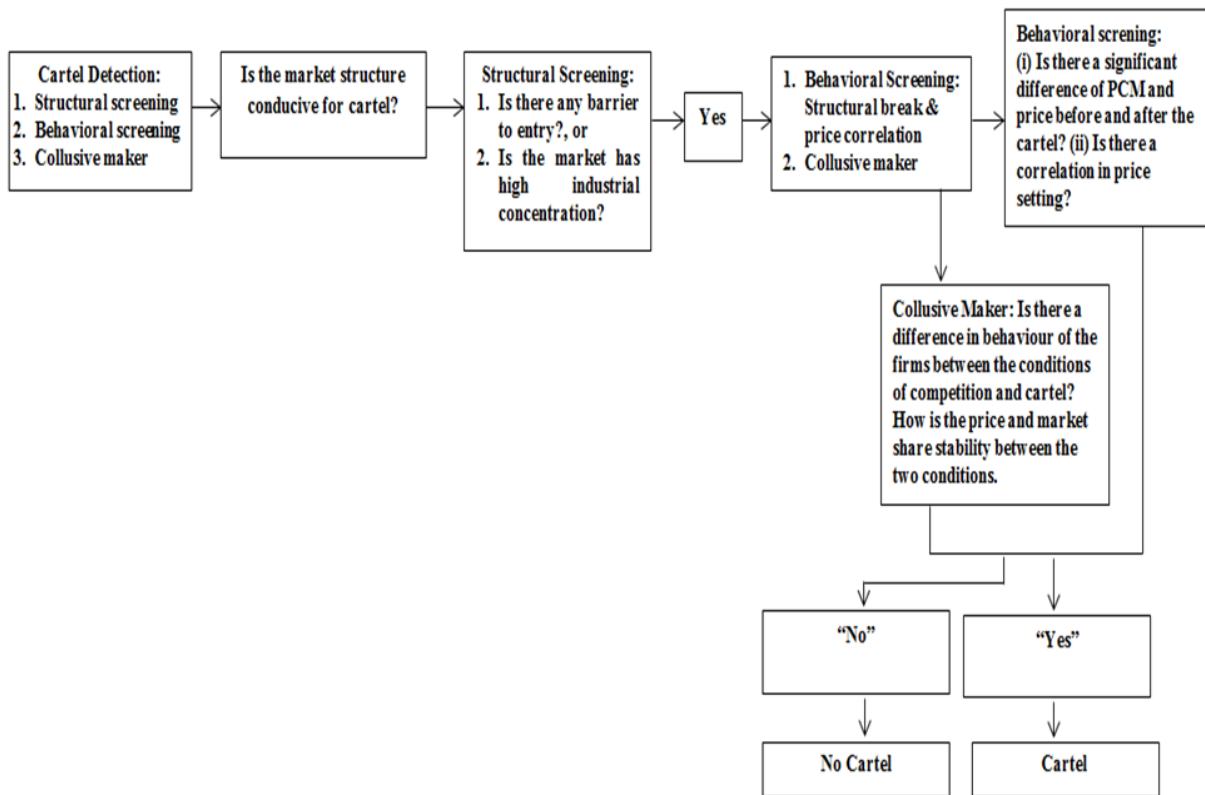
2. In doing its tasks, KPPU gets information from the business complaints (reactive) or its own initiative (proactive). The complaints usually come from the businesses actors who feel that there is an unfair business competition in the market. Own initiative investigation is usually based on the market condition that gives a signal of a possibility of the anti-competitive practices. KPPU implements market studies to get the whole information to respond the complaints of the business sector or gather information for its own initiative studies. The market studies include the information gathering, data or information analysis and empirical research including case studies.

3. KPPU gathers information from various sources depending on the data availability. The data is collected based on the purposes of the study. KPPU usually starts to collect the data from the related institution and Indonesian Bureau of Central Statistics. For example, KPPU coordinates with the Ministry of Agriculture to provide the data of price and production in the market studies of rice. The data can be collected directly from the institution or KPPU invites the institution to provide the data as well as explain the data in a focus group discussion. Regarding the data for the law enforcement actions, KPPU usually sends the letter to the firms to provide some listed data¹. KPPU also conducts a field survey to collect the data if the related institution or BPS or firms do not have/provide the data or information.

4. The process is continued to the analysis after the data is collected. The analysis is comprehensive including the descriptive statistics, demand & supply analysis, trend analysis, mark-up analysis, industrial concentration analysis, impact evaluation, statistical approach such as price correlation, econometrics analysis, etc, that can support the objectives of the study. With respect to the cartel detection, KPPU already applies the detection using the recent methods such as Harrington (2008) cartel detection. The cartel detection is very comprehensive including the structural screening, behavioral screening and collusive maker. The method uses statistics and econometrics as the tools to investigate the possibility of the cartel practices.

¹ KPPU always finds difficulties to get the appropriate data from the undertakings.

Figure 1. Cartel Detection Using Harrington Method in KPPU



5. Figure 1 is the cartel detection that has been applied on some cartel cases in KPPU complementing the hard evidence. The cartel case in tyre industry was the first cartel case which is proved to occur using the Harrington method in 2013-2014. KPPU won the case until the Supreme Court against the 6 (six) big tyre companies. With respect to the analysis, the data was collected through the companies using their detail financial report and balance sheet. Statistical and econometrics method were applied in the case. KPPU used the econometrics with panel data analysis using the monthly period of 2007-2012 with the steps as following:

1. Structural screening: observing the trend of the number of firms and the industrial concentration.
2. Behavioral screening: (i) structural break test using econometrics method for the period before and after the coordination point; and (ii) correlation in price setting using the correlation of residuals of the firms in the panel data econometrics models.
3. Collusive maker: testing the relationship between efficiency and market power as well as the stability of price using econometrics method. To calculate the efficiency, KPPU used data envelopment analysis (DEA) running through mathematical linear programming approach. In the case of no collusive behaviour, the high industrial concentration has no significant effect on the mark up or it may reduce the mark up and increase the efficiency (efficient-structure hypothesis). In the tyre cartel cases, KPPU found that the high industrial concentration increases market power and reduced efficiency (SCP hypothesis and quite-life hypothesis).

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