

# Workshop on Competition in Publicly Funded Markets

 28 February 2019  09:30 – 17:30

 Registration by email to: [Paloma.Bellaiche@oecd.org](mailto:Paloma.Bellaiche@oecd.org)

 Paris, OECD Conference Centre - Room CC09  
or distant participation by WEBEX

 Documentation: <https://oe.cd/2tx>

## AGENDA

Markets do not simply exist in nature, if governments want to use market mechanisms to deliver better quality at better value they must build them and protect them, and publicly funded markets are some of the most difficult to build, and hence some of the most difficult for Competition Agencies to advocate in. These markets include key strategic services that are vital to productivity, inclusivity and our quality of life, and which are sometimes preconditions for markets to work well in the rest of the economy. Examples of these markets include education, care for the elderly, healthcare, skills and employment services, housing, probation and prisons, defence, public transport, libraries and recycling. Despite the difficulties, many OECD countries increasingly choose to use market mechanisms and incentives rather than relying on centrally planned direct provision of these services. Where governments do choose to use market mechanisms, a key role exists for competition agencies to act as advocates for, and experts in delivering more effective competition.

Publicly funded markets present distinct challenges for a number of reasons. Aside from political difficulties, on a technical level these markets are complex. Firstly, publicly funded markets are heavily reliant on public funding, reflecting both the externalities they generate and the importance of different policy objectives in motivating their provision (e.g. equality of access). Secondly, there is a split between the user and the payer (either of which may be given the right to choose). Thirdly, as a consequence of the lack of private demand these services have often been provided by not-for-profit organisations which can give rise to problems of competitive neutrality. Furthermore, these services are often experience or credence goods, the quality of which is unobservable prior to purchase and perhaps even afterwards. These information asymmetries result in the need for quality to be both highly regulated to create a minimum standard, and incentivised in order that providers go beyond the minimum. Finally, the importance of continuity of service in these key strategic services makes exit difficult to manage, and hence makes policymakers nervous about allowing entry.

While there are likely to be important case-specific considerations on how best to use competition to improve these services, there is also considerable scope to learn from international experience on the development and regulation of similar markets. The OECD is therefore leading an effort to bring together competition agencies to share experiences on how to make publicly funded markets work better for users. This workshop is part of the OECD's long-term theme of work on Competitive Neutrality. It is designed to take a cross-cutting approach, and to draw together experience from a range of publicly funded markets in a variety of countries, to help identify commonalities and differences, and what works well and what does not.

09:30 – 09:40 **Welcome and opening remarks from Alberto Heimler, Chairman, Working Party No. 2 on Competition and Regulation**

09:40 – 09:55 **Introduction – Chris Pike, OECD**

### **PART 1: User Choice**

This session will look at when and how to empower service users to drive competition in publicly funded markets. It will consider when and how to offer choice, who offers choice, what support and information is provided, as well as how and when to provide that information.

09:55 – 10:55 **Presentation by Professor Mats Bergman, Södertörn University**

**Presentation by UK**

10:55 – 11:20 Discussion and Q&A on the presentations

**11:20 – 11:35 Coffee break**

### **PART 2: Addressing barriers to entry, exit and a level playing field**

This session looks at the way that market access is regulated. It will look at who is allowed to compete, when entry might be sponsored, when providers can expand and the strength of the incentives for firms and SOE (and managers) to do so (including capacity constraints), and whether exit processes and other features that damage the level playing field.

11:35 – 13:05 **Presentation by Professor Jenny Lewis, University of Melbourne**

**Presentation by Sweden**

**Presentation by Spain**

**Presentation by India**

13:05 – 13:30 Discussion and Q&A on the presentations

**13:30 – 15:00 Lunch break**

### **PART 3: Incentivising effective competition**

This session will look at the way that these markets are regulated to create effective competition. It might focus on the way in which prices are regulated (the extent to which cream-skimming and topping up issues arise), the autonomy given to SOEs, the obligations imposed on those that serve these markets (including obligations to serve any user, to cooperate), and the scope for conflicting regulatory incentives (e.g. targets).

15:00 – 16:10 **Presentation by Professor Carol Propper, Imperial College London**

**Presentation by Norway**

**Presentation by Italy**

16:10 - 16:35 Q&A on the presentations

**16:35 – 16:50 Coffee break**

### **PART 4: Analysing the effects of mergers**

This session will look at merger analysis in publicly funded markets. It will look at the various tools that are used to analyse mergers in these markets, including merger simulation and estimated diversion ratios, as well as challenges related to failing/flailing firm defences, and efficiency cases.

16:50 – 17:10 **Presentation by Netherlands**

17:10 – 17:20 Q&A on the presentation

### **CLOSING REMARKS**

17.20 – 17.30 **Final Comments by external speakers**

**Closing remarks by Alberto Heimler, Chairman**