

Benefits of Competition Policy for Consumers

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Introduction

Competition
law and policy

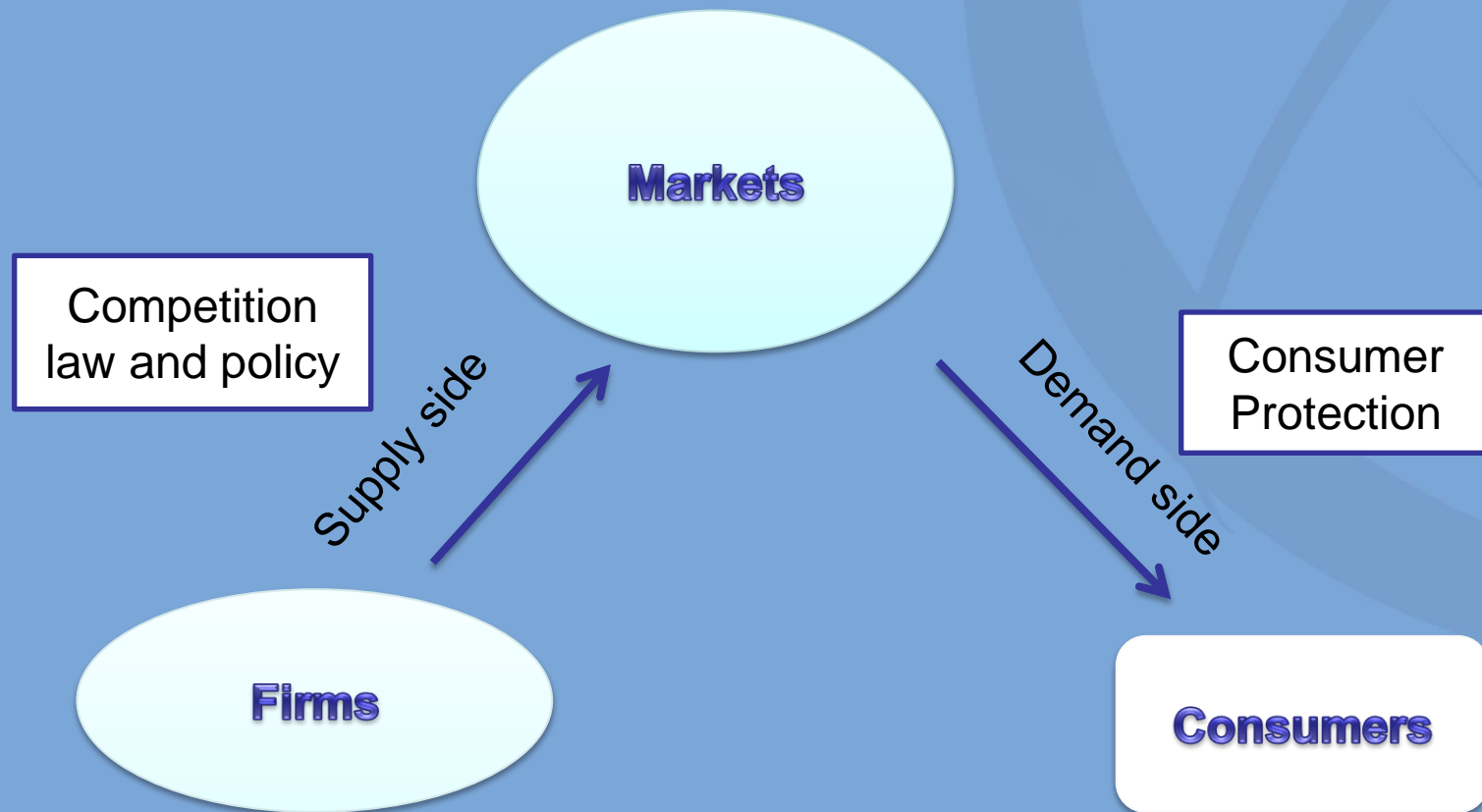
Consumer
Protection

Both aim at

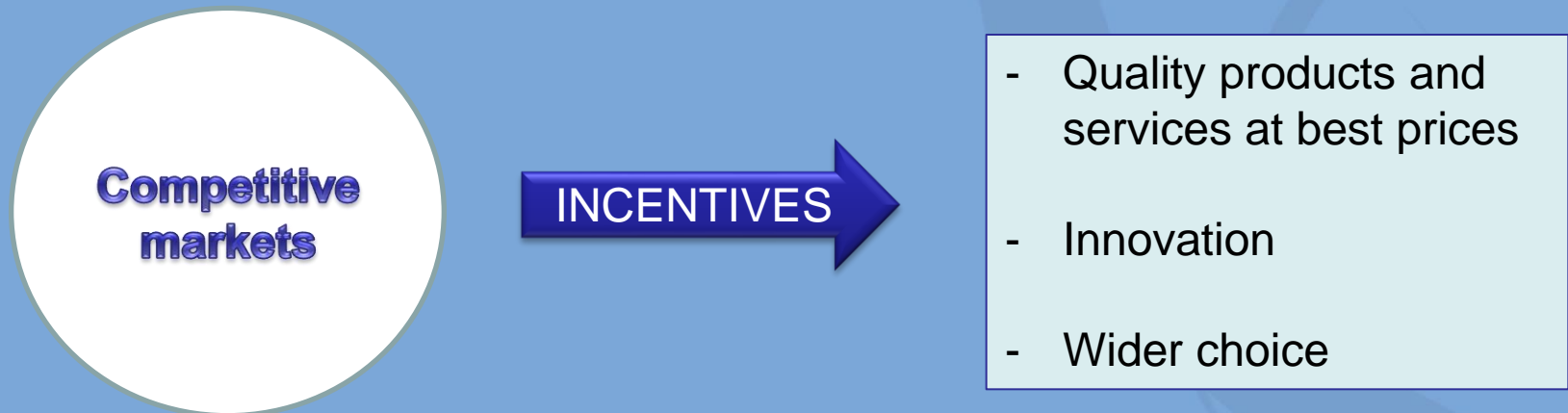
- Improving efficiency,
- Promoting economic growth,
- Enhancing consumer welfare



Introduction



Interface between competition and consumer policies



Competition laws ensure that consumers have wider choice while consumer laws ensure that consumers can effectively exercise those choices.

Competition law and policy

Competition policy aims to make markets work well for consumers through its core elements:

a.Competition law enforcement deals with anticompetitive practices (cartels, abuse of market power, mergers, bid-rigging in public procurement) which result in consumer harm in the form of higher prices, lower quality, limited choice, lack of innovation.

b.Advocacy for pro-competitive policies that take into account consumers' interests, especially in transition from a monopolistic to a liberalized market through privatization and deregulation in sectors such as telecommunications and energy.



Consumer Protection

Consumer policy aims to compensate for market failures and protect consumers' interests through:

a.Consumer protection measures:

1. to deal with unfair trade practices, misleading and deceptive conduct, which prevent consumers from making informed decisions;
2. to set minimum product and service standards to promote health and safety quality;
3. to regulate consumer contract terms.

b.Consumer redress mechanisms to compensate for consumer harm.

c.Consumer empowerment to facilitate access to information and consumer education.



Interface between competition and consumer policies

At the international level:

- **United Nations Set of Principles and Rules on Competition (1980)** emphasizes the importance of competition policy and law in and promoting social welfare in general but particularly the interests of consumers in both developed and developing countries.

- **United Nations Guidelines for Consumer Protection** establishes the link between competition and consumer protection:

"Governments should encourage fair and effective competition in order to provide consumers with the greatest range of choice among products and services at the lowest cost."



Interface between competition and consumer policies

At the national level:

- Consumer welfare or the protection of consumer interests is an explicit objective of competition law in some jurisdictions (ex: Australia, India, Indonesia, Japan, Serbia, the United Republic of Tanzania and Zambia).
- Some jurisdictions, such as South Africa and Canada, defined the purpose of their competition laws as the promotion and maintenance of competition in order to, inter alia, "provide consumers with competitive prices and product choices".
- Some jurisdictions prioritize their interventions based on those types of conduct most harmful to consumers (ex: European Commission).
- Some jurisdictions aim at promoting competition in industries where consumer impact is high, such as health care, real estate, oil and gas, technology and consumer goods (US Federal Trade Commission).



Policy Coherence

Deregulation does not mean no regulation!

Need for coherence between competition, consumer and regulatory policies to enhance consumer welfare.

Privatization and deregulation do not necessarily result in expected consumer benefits unless supported by competition and consumer policies, and appropriate regulatory frameworks.



Consumer Empowerment

- Informed consumers are drivers of competition, innovation and productivity.
- To drive competition, consumers should be able to exercise choice effectively and make informed decisions.
- Consumer empowerment through:
 - consumer education,
 - access to information,
 - capacity to assess information correctly.



Conclusions

- Competition benefits consumers and informed consumers drive competition between firms by exercising choice.
- Coordination and coherence between competition and consumer policies and appropriate regulatory frameworks are important in enhancing consumer welfare.

Conclusions

- **Regardless of the institutional framework, cooperation between competition and consumer agencies or between teams within a single agency is crucial.**
- **Consumer empowerment is a complementary and essential policy measure for consumers to be able to exercise choice and make the right decision in their interest.**

