



**Ad Hoc Expert Meeting on Consumer Protection: The interface between
competition and consumer policies**
Geneva, 12 to 13 July 2012

Session 1: Interface between competition and consumer protection issues

**Presentation
by Peter Avery, OECD**

The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.



INTERFACE BETWEEN COMPETITION AND CONSUMER PROTECTION ISSUES

Ad Hoc Expert Meeting on Consumer Protection
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Peter Avery
Head, Consumer Policy Unit
Peter.Avery@oecd.org

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OECD at a glance

- **OECD = 34 member countries**
 - Europe: 21 EU members (plus Commission), Iceland, Norway, Switzerland, Turkey
 - Americas: Canada, Chile, Mexico, United States of America
 - Asia/Pacific: Australia, Israel, Japan, Korea, New Zealand
- **OECD engages non-members in its work**
 - Russian Federation (accession candidate country)
 - Brazil, China, India, Indonesia, South Africa (enhanced engagement)
- **Bodies:** 200 bodies covering a range of economic and social issues
 - Committee on Consumer Policy (2 regular observers)
 - Working Party on Consumer Product Safety
 - Competition Committee (15 regular observers)
 - Working Party No. 2 on Competition and Regulation
 - Working Party No. 3 on Co-operation and Enforcement
 - Global Forum on Competition



Interface of competition and consumer policy

1. Shared goal

- The shared goal is to make markets work well for consumers. This is achieved by promoting and protecting consumer interests, while ensuring that businesses are fair and competitive. [Adapted from OFT]
- Competition also seen as advancing other goals:
 - Protect small firms
 - Important for economic development: competition - innovation – growth
 - Enhance economic efficiency
 - Facilitate structural change

See <http://www.oecd.org/dataoecd/22/34/40898016.pdf> for a fuller assessment.



Interface of competition and consumer policy

2. Scope of policies differs, but there is overlap

- Competition = supply side: addresses firm behaviour, focusing on cartels, restrictive agreements, anticompetitive mergers
- Consumer policy = supply and demand side: addresses firm behaviour (fraudulent and unfair commercial practices), product safety, consumer empowerment (information, education and awareness)



Interface of competition and consumer policy

3. Co-ordination of policies presents opportunities and challenges

- Market problems can be multi-dimensional – policy co-ordination can result in more effective outcomes and help avoid counter-productive actions
- Advances in behavioural economics -- implications for both consumer and competition policies.
- Deregulation = more competition and greater information asymmetries; co-ordination of policies would be beneficial
- Challenges concern how to best co-ordinate – different institutional approaches currently used; no clear best practice



Interface of competition and consumer policy

4. Institutional interface matters

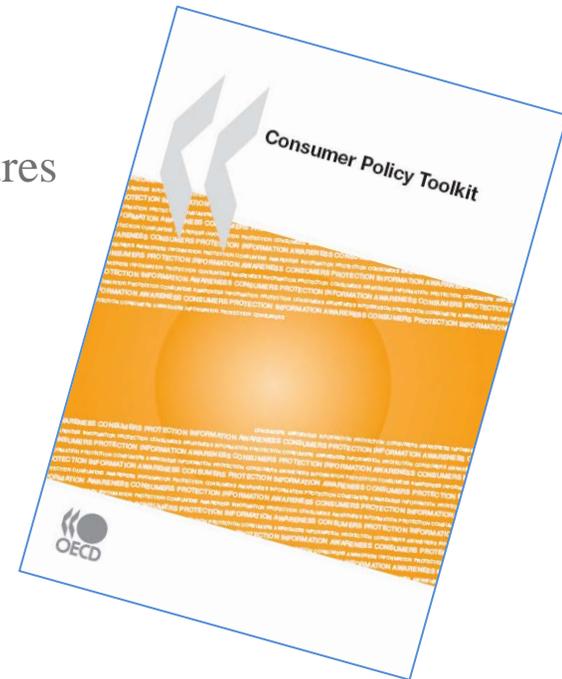
- Housing the two functions in a single agency offers advantages ...
 - More centralised control
 - Operational efficiencies
 - Cross-fertilisation
 - Stronger voice
- ... and challenges
 - Functions are quite different
 - Consumer policy is often fragmented (responsibility shared among multiple agencies)
 - Co-ordination of policies may be difficult
 - Competition for resources may be counter-productive
- If there is institutional separation, still possible to co-ordinate activities in a way that benefits consumers.



Policy tools

Consumer Policy Toolkit

- What is the *Consumer Policy Toolkit*?
- How can it be used by consumer and competition policy makers?
 1. Define the consumer problem and its source
 2. Evaluate and measure detriment
 3. Examine policy tools
 4. Evaluate, select and implement policy measures
 5. Review policy effectiveness





Policy tools

Consumer Policy Toolkit

1. Define the consumer problem and its source

- What is the nature, scope, magnitude and source of the problem?
- Detection methods = complaints, market surveillance, surveys, studies, indicators, notifications, mystery shopping, focus groups, etc.

2. Evaluate and measure detriment

- Who is being affected? What types of harm are being experienced? How great is the harm?
- Measurement techniques: complaints, surveys, economic analysis

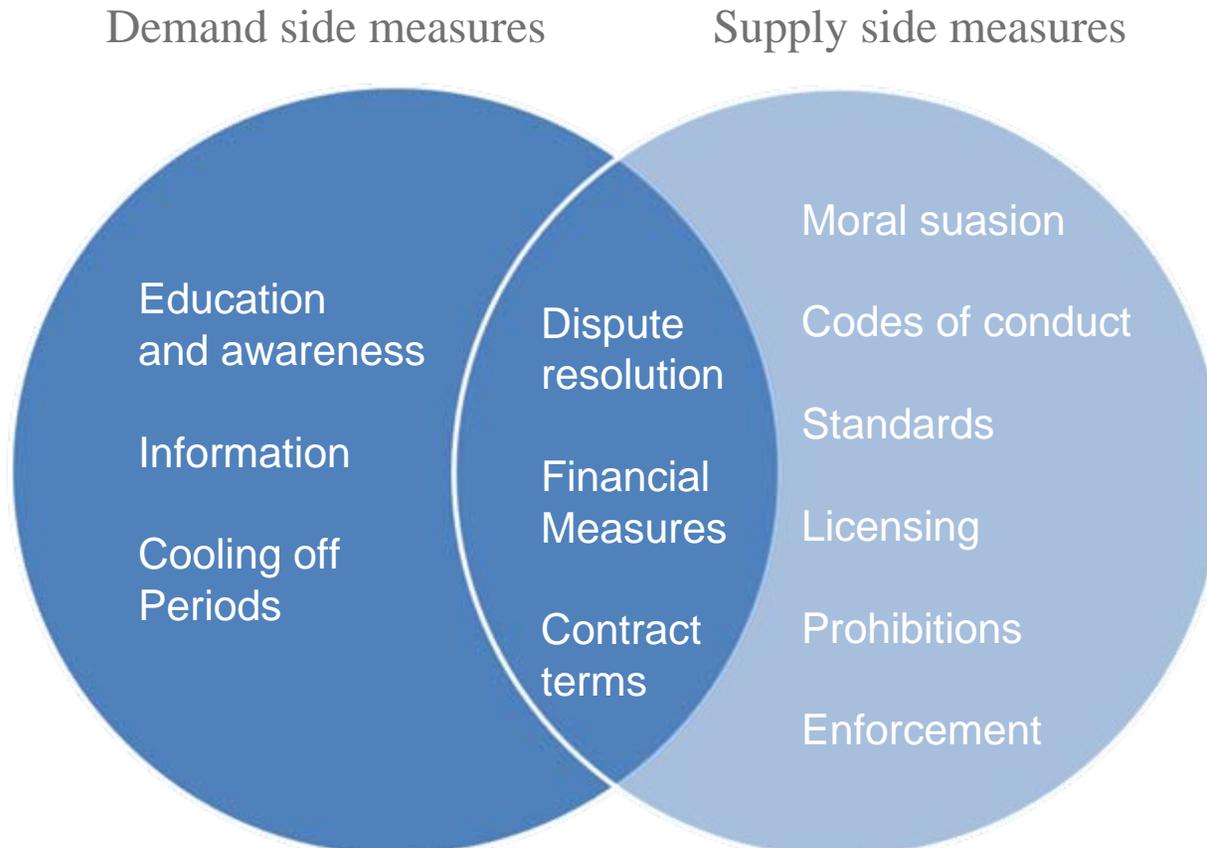


Policy tools

Consumer Policy Toolkit

3. Examine policy tools

- What outcomes are targeted? How could they be achieved? What role can industry self- regulation play?





Policy tools

Consumer Policy Toolkit

4. Evaluate, select and implement policy measures

- What is the most effective policy option? How should it be implemented?
- Factors: cost-benefit, effects on competition, health and environment

5. Review policy effectiveness

- To what extent are targeted policy objectives being met?



Policy tools

Competition Assessment Toolkit

- **What is the *Competition Assessment Toolkit*?**
 - Provides a general methodology for identifying unnecessary restraints and developing alternative, less restrictive policies that still achieve government objectives
 - Examines how competition benefits consumers
- Harmful effects of limiting choice, high switching costs
- Value of appropriate and useful information
 - Provides a checklist indicating conditions under which competition assessment should be conducted





Conclusions

1. Consumer and competition policies share a common goal – enhancing market performance for consumers; policy coherence is needed to fully achieve the goal
2. Both areas target firm behaviour to achieve their aims, but in different ways; measures taken in one area should not undermine measures taken in the other
3. Significant scope to share information, so as to improve market surveillance and analysis
4. With growing complexity of many markets, importance of measures to empower consumers will grow; primarily a consumer policy issue, but maybe potential for competition as well
5. Advances in behavioural economics could benefit both policy domains – helping, in particular to improve the design of policy interventions
6. Need for consumer policy to routinely consider the effects of measures on competition is essential, and *vice versa*
7. Institutional approach matters; unified approach can boost cross-fertilisation, strengthening policy assessment and outcomes in both domains