

Unclassified

English - Or. English

19 May 2023

**DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS
COMPETITION COMMITTEE**

Working Party No. 2 on Competition and Regulation

**Assessing and Communicating the Benefits of Competition Interventions – Note by
Romania**

12 June 2023

This document reproduces a written contribution from Romania submitted for Item 6 of the 75th meeting of Working Party 2 on 12 June 2023.

More documents related to this discussion can be found at
<https://www.oecd.org/competition/assessing-and-communicating-the-benefits-of-competition-interventions.htm>

Federica MAIORANO
Email : Federica.MAIORANO@oecd.org

JT03519279

Romania

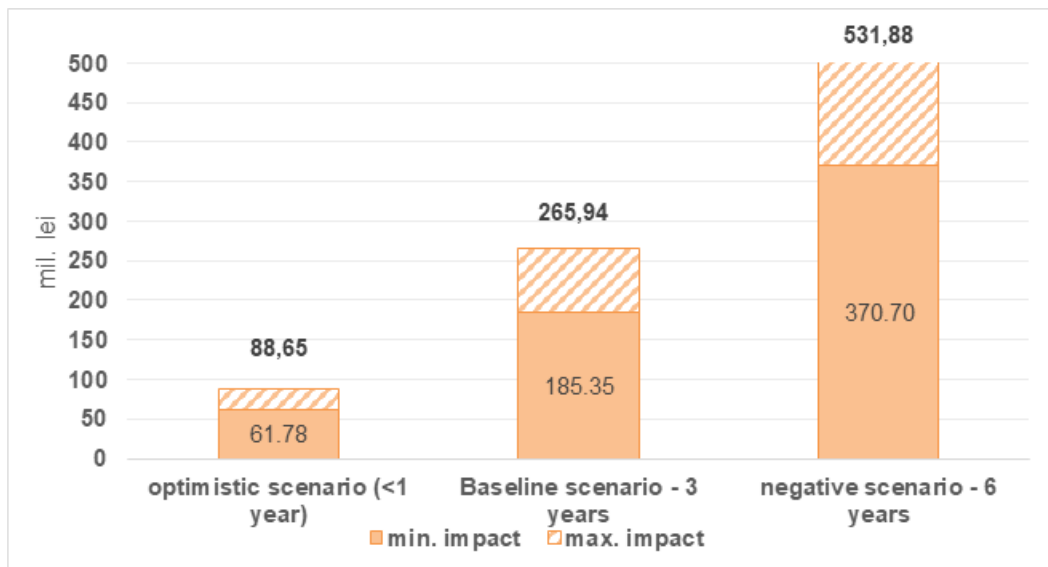
1. Per its statutory obligations, the Romanian competition authority (RCC) is required to publish an annual report that outlines its activities throughout the previous year. Typically, this report is released in late spring and includes a study on the impact of competition policy on consumer benefits, despite this not being mandated by statute.
2. The study only focuses on anti-competitive practices related to cartel behaviour or abuse of dominant market positions, which resulted in sanctions imposed by the competition authority. It only accounts for the initial effects on price and solely considers first-round effects. As such, the figures presented in this report provide a highly conservative assessment of the benefits derived from competition policy.
3. In evaluating the effect on the price of the anti-competitive practice, RCC uses the methodology used by DG COMP¹. The methodology prescribes an interval of 1 to 6 years, contingent on the cartel's estimated stability at the time of discovery. Cartels are classified as "unsustainable" (with a lifespan of 1 year), "quite durable" (with a lifespan of 3 years), or "very durable" (with a lifespan of 6 years). Additionally, in instances where data or details concerning the practice's effect on the price are insufficient, the implementing entities' surcharges range from 10% to 15%.
4. Therefore, the analysis only considered price hikes imposed by the enterprises that partook in anti-competitive behaviour. The market affected solely encompassed the turnover data of these firms or a portion of their turnover where the ratio of goods or services subject to the anti-competitive conduct was reduced (only when companies could prove it with relevant documentation – usually when companies apply for sanction reduction).
5. As a result, the advantages that consumers might reap from second-round effects, such as those associated with innovation or deterrence effects, were not factored into the analysis. Additionally, the evaluation did not consider the adverse consequences that anti-competitive conduct might produce, such as the likelihood that other enterprises in the relevant market could potentially align their prices to those set by the participants in the anti-competitive agreement.
6. For 2022, 7 cases were considered in the consumer benefits impact analysis:
 1. The market of collection, transport and storage of household waste services in Mureş County;
 2. Part of the timber market;
 3. The service market for arranging, organizing and operating paid parking lots in the public domain of Braşov municipality;
 4. The market for the sale of products and equipment in the field of health and safety at work;
 5. The distribution market of new Renault, medium and heavy trucks;
 6. The market of motor vehicle maintenance and repair services;
 7. Aviation insurance market related to large customers in Romania.

¹ Ex-post economic evaluation of competition policy enforcement

7. To estimate the benefits of the competition policy, 3 scenarios were used (the optimistic scenario, the base scenario and the negative scenario). According to DG COMP's methodology, the price impact of anti-competitive agreements for the affected market is between 10 and 15 percent.

- The optimistic scenario – is represented by the situation in which the cartel is unstable and without the intervention of RCC it would have been dismantled within a year.
- The baseline scenario – is represented by the situation in which the cartel is relatively durable and without the intervention of RCC it would have lasted on the market for another 3 years.
- The negative scenario – is represented by the situation in which the cartel is very stable and without the intervention of RCC it would have lasted on the market for another 6 years.

Figure 1. The impact of competition policy – first-round benefits (2022)



8. Hence, RCC's intervention has a projected minimum impact of 61.78 million lei (EUR 12.36 million), (apart from the sanctions imposed) in the situation where the cartels would have dissolved on their own within a year, and the prices charged by them would have been merely 10% higher than prices on a competitive market. In contrast, the maximum impact is estimated at 531.88 million lei (EUR 106.38 million) if the cartels had endured for another 6 years, and the surcharge would have been 15% compared to normal competition market prices (as per the DG COMP methodology).

9. RCC does not conduct annual ex-post analyses to measure the benefits conferred by competition policy. However, on the occasion of its 20th anniversary in 2017, RCC, in partnership with the Bucharest University of Economic Studies, issued a special report that quantified the benefits of competition policy from 2008 until 2015. The study considered 19 interventions (anti-competitive actions and economic concentrations) from 10 key industries (mobile telecommunications, the banking system, the electricity industry, fuel trading, the pharmaceutical industry, car liability insurance, private pension funds, liberal professions, retail and cement).

10. Similarly with 2022, this study took into account only the first-round effects derived from the price reduction. Thus, the benefits of the competition policy are underdimensioned, most of the time significantly, precisely to prevent criticism regarding the methodological aspects and the data considered. In other words, the effects calculated in monetary terms in that study are unlikely to be smaller in reality, but they may be significantly larger. The estimated impact in that study, using the DG COMP methodology, was EUR 857,1 million. Unfortunately, subsequent studies of this kind have not been conducted.

11. As regards communication of the impact of competition policy on consumers, it serves a manifold purpose, contingent upon the stakeholder involved. Consumers evince greater receptivity to impact analyses that show future price reductions stemming from the dismantling of cartels, while political actors exhibit greater interest in the imposed sanctions (given the fact that sanctions are transformed into revenue for the state budget). Simultaneously, firms are feeling the dissuasive effect of the impact analysis of competition policy knowing that it is a subject of concern for both consumers and public policymakers.