

12th PARFORE meeting on

Draft National Competition Policy

New Delhi, March 29, 2012

Background

Over the last two decades India has been able to maintain a good growth rate resulting into improved economic condition in the country. There have been many factors behind this growth process. Economic reforms which took place in early 90s can be treated as the catalyst which helped to initiate this process of unprecedented growth. The process of globalisation, liberalisation and privatisation took place simultaneously which led to opening up of Indian markets for the global players. This allowed foreign companies to come to India and do business.

On one hand, it was very positive change from the point of view that it helped Indian economy to expand with the help of foreign money and technology but it became very difficult for the Indian companies to compete with their foreign counterparts which were definitely few notch ahead in every aspect, on the other. It became question of survival for the Indian companies and they showed their discomfort with the overall reform process.

But at the same time the whole process helped Indian business community to get introduced to competition. It created pressure on business groups in India to raise their standard and produce better quality products which ultimately helped Indian consumers.

In order to churn out more through this overall situation, it is very important to have competition policy and law in our country. It can help to promote good business practices in India, providing equal opportunity for everyone, whether it is a small-scale business or large-scale business.

Opening Remarks

The meeting was organised by CUTS International to discuss the importance of competition policy in India which involved Members of Parliament and other relevant stakeholders. The meeting was attended by two MPs from Rajya Sabha. Selected media persons were also present. A list of key participants is given in Annexure I and presentation by Pradeep S Mehta on **National Competition Policy** is given in Annexure II.

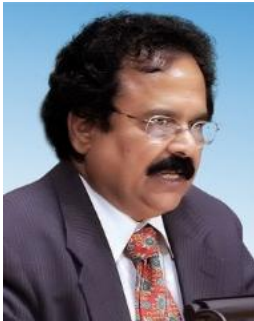
Ashok Ganguly, MP, Rajya Sabha

Ashok Ganguly MP, Rajya Sabha and Member, Prime Minister Council on Trade while talking on the subject raised concerns emanating from competitive federalism. He emphasised that competition policy and law would take into account the uneven contours of economy and ensure that competitive markets are developed. Dr Ganguly remarked that, “without the competition policy the economic reform process would be incomplete.”



He suggested learning from the Monopolies & Restrictive Trade Practices Act, which has not been able to fulfill its basic purpose of discouraging businesses that create barriers for the scope of competition in the Indian economy. He also advised CUTS to raise the issue of competition and share it with the concerned who could help creating environment in favour of competition in the Indian economy.

EMS Natchiappan, MP, Rajya Sabha



EMS Natchiappan thanked CUTS for organising meeting on National Competition Policy and welcomed all participants. He said that competition policy must be sensitive to the federal structure of the country and should take into account the political economy consideration. It should appropriately address diverse needs of the country as a whole as well as the development aspirations of different states. He further added that consultation is required not only with all organs of the Central government but also state governments which would throw up possible implementation challenges, which the government should address.

He also tried to deal with the basic reasons behind lack of competition in the Indian economy. According to Dr. EMS Natchiappan, this dilemma within the business community in India is killing the essence of competition in the Indian market. He laid stress on complete overhauling of system in order to infuse the spirit of competition in the Indian economy.

He advocated on the need for separate forum of stakeholders related to competition policy and law where related issues could be discussed vigorously.

Pradeep S Mehta, Secretary General, CUTS International

Pradeep Mehta, Secretary General, CUTS International and Member, Committee on National Competition Policy while speaking on the occasion emphasised that the competition policy should be implemented to reap the development objectives. He also underscored the need to ensure independence of regulators *vis-à-vis* the line ministries. He also highlighted the issue of competitive neutrality in order to provide level playing field to both public and private sector and cited various examples where competition distortions take place, such as one percent subsidy on agri loans only to public sector banks, mandatory travel of government officials by Air India, etc.



Towards the end of the meeting, Mehta informed that the draft National Competition Policy will soon be placed before the Cabinet for approval.

ANNEXURE I

List of Participants for 12th PARFORE meeting on

“National Competition Policy”

Thursday, March 29, 2012

Dy. Chairman Hall, Constitution Club, Rafi Marg, New Delhi,

Time: 1800-2000 hrs

Sl. No.	Details	Party /Organization
1	Dr. Ashok Ganguly Member of Parliament, Rajya Sabha 10, Rajendra Prasad Road New Delhi-110011 Phone: Ph: 23753811, 23753810 Ph: 022-23538471, Mobile: 09820286848/ PS: Deepankar 9868181902 Email: ashok.ganguly01@gmail.com	Rajya Sabha Nominated
2	Dr. E.M.S. Natchiappan MP, Rajya Sabha 601, Brahmaputra Apartment, Dr. B.D. Marg, New Delhi 110001 Ph: 23766540, Mob: 09868181909 Office: B-3/73, Safdarjung Enclave New Delhi – 110029 Ph: 011-26102873, 26104773 Cell : 09443181909, Email; emsntp@gmail.com	Rajya Sabha INC, Tamil Nadu
3	Dr. Anup Kumar Saha Member of Parliament Lok Sabha 21, Ashoka Road, New Delhi -110 001 Tels. 23745530, 9013180280 (M) 09434003337(M), Fax 23362235 Email: sanupk@sansad.nic.in , s_anup@in.com	Communist Party of India (Marxist) Bardhaman, Purb a(SC) West Bengal
4	Mr. Joe C.Mathew Business Standard 2, Bahadurshah Zafar Marg Marg, New Delhi-110002 Cell: 9810217907 Email: joe.mathew@bsmail.in joecmathew@gmail.com ,	Business Standard
5	Ms. Shruti Choudhury Economic Times Bahadurshah Zafar Marg Marg, New Delhi-110002 Shruti.choudhury@gmail.com	Economic Times
6	Ms Rosemary Marandi Press Trust of India PTI Building, 4, Parliament Street New Delhi-110001	Press Trust of India

Sl. No.	Details	Party /Organization
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7	Mr. Pradeep S. Mehta Secretary General CUTS International Jaipur, Rajasthan Mobile: +919829013131 Email: psm@cuts.org	CUTS International Jaipur
8	Mr. Navneet Sharma Director CUTS Institute for Regulation & Competition R-75, Greater Kailash-I, New Delhi-110048 Cell: 9212723123, Email: ns@circ.in	CIRC New Delhi
9	Vijay Singh/ Ram Saran CUTS International New Delhi Email: vs2@cuts.org , delhi@cuts.org	CUTS International Delhi
10	Mr. Rudra Shankar Assistant Programme Officer, CUTS CCIER Jaipur Rajasthan Email: rsh@cuts.org Mob: +91 87660 03639	CUTS International Jaipur

ANNEXURE II
Presentation on National Competition Policy
By Pradeep S Mehta

BENEFITS OF COMPETITION

- Greater allocative, productive and dynamic efficiency leading to economic growth and consumer welfare
- Study by Australian Productivity Commission in late 1990s estimates expected benefits from a package of competition promoting and deregulatory reforms of real GDP gain of about 5.5 percent or A\$23bn, and consumer gains of A\$9bn

TOOLS OF COMPETITION

Competition Policy: Government measures, policies and regulations aimed at controlling the behaviour of enterprises and structure of markets.

Competition Law: Framework of rules and regulations designed to foster the competitive environment. (Competition Act, 2002)

PRINCIPLES OF NCP

- Foster competitive neutrality
- Ensure free and fair market process
- Institutional separation between policy making, operations and regulation
- Consistency of Regulatory arrangements with principles of competition
- The Competition Act 2002 should be used to effectively control anticompetitive conduct
- Ensuring third party access to ‘essential facilities’
- Fair pricing and inclusionary behaviour
- Procedures should be rule bound, transparent, fair and non-discriminatory

NEED FOR COMPETITIVE REFORMS

Seamless National Market:

- Free flow of trade and commerce within and across inter-State borders under *Article 301*
- Australian experience of Centre State co-ordination to develop a common regulatory approach in some sectors is a good example

Reform Agenda: Adoption of GST in India and lowering entry barriers across country and establishing interstate trade authority under Article 307

APMC Act: -

- Fragmented markets leading to losses in both producer and consumer welfare
- Committee of State Agriculture Ministers recommended “barrier free national market” including incentives for reforms in states in 2011

Reform Agenda: Need for APMC Reforms in India and ensuring free and fair competition in procurement of farm produce

Regulatory Overlap Conflicts:

- *“it is not only a question of resolving the conflict between two entitiesbut actual and physical workable solution to permit and/or to allow either to deal with the market which could be done if an experts body was constituted and specialised rules and regulations are framed.”*

Justice Majumdar, Bombay High Court, FMC vs. CERC

Reform Agenda: The Planning Commission on the NCP and the Regulatory Reform Bill has recommended resolution of conflicts on regulatory overlaps by ensuring mandatory consultations between the CCI and sector regulators

Efficient delivery of Subsidies:

- Subsidy on LPG cylinders and kerosene be directly reimbursed into the bank account of beneficiaries
- Example: Kerosene subsidy in Alwar, Rajasthan
- Improves customer service and plugs leakage
- Efficient utilisation of subsidies

Reform Agenda: - *Scaling up good practices and accelerating Aadhar scheme. And a target of reducing subsidies to two percent of GDP over the next three years*

Curbing discretion and corruption in allocation of natural resources:

- Ashok Chawla Committee on Allocation of Natural Resources suggested measures for promoting transparency and enhancing effectiveness in allocation, pricing and utilization of natural resources
- E.g. 3G spectrum allocation

Reform Agenda: - Policies to be formulated in such a manner would enhance competition and lead to efficient outcomes

WHY NATIONAL COMPETITION POLICY?

National Competition Policy will:

- promote harmonious interface between competition and other sector specific economic policies
- ensure free and fair market process by lowering entry and exit barriers
- lead to a level playing field among market players

- facilitate realisation of efficiency gains of competition
- address market distortions caused by government policies (trade, procurement, labour, pricing etc.)

OPERATIONALISATION

- Adopting the NCP by the National Development Council
- Appointment an appropriate body for implementation of NCP
- Creating a Working Group on Competition Assessment
- Launching a project on Competition Assessment of all government policies, laws and practices on identified benchmarks
- Implementing assessment recommendations in sectors through government intervention
- Rewarding pro-competitive reforms undertaken by governments through competition payments

ISSUES FOR DISCUSSION

- What would be the best way to achieve the reform agenda pertaining to current concerns on APMC, regulatory overlaps, natural resource allocation and regulation of subsidies under the proposed NCP?
 - How to ensure that the proposed NCP will function without creating confusion with the role of the CCI?
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Glimpses

