

REGU**LETTER**



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Privatisation of Public Utilities: The Cleft Between

Even though a lot of literature has already wrestled with the subject, privatisation of public utilities and its effects remain disputed area and quite a cloudy sphere. In modern and developed economies, the results are not completely mixed. There is a legacy of success in certain fields more prone to the instauration of a competitive system – telecommunications, for instance, and others that are not as successful in which, subject to current levels of technology, natural monopoly is unavoidable. On the contrary, in developing economies, the results are much more varied and sometimes contradictory. The debate surrounding privatisation policy is a furiously heated one indeed, but certain fundamental ideas are agreed upon.

The basic conclusion after the Latin American experience is that privatisation alone does not necessarily work. Just changing the ownership of a public utility will have the effect of transferring the benefits from one subject to the other. While governments are usually concerned with the accessibility and quality of basic services for their people, for which they are accountable through the democratic system, private companies seek profit and not social welfare. For instance, in Argentina, privatisation turned into a lose-lose situation where both the citizens and the water supply company, Suez, were made unhappy.

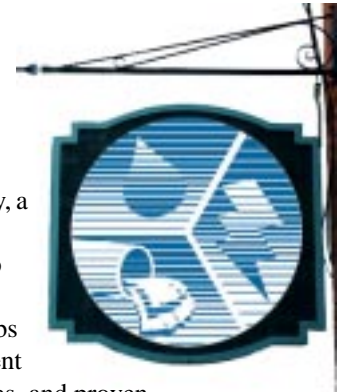
Regulation is viewed to be the best solution to the problems that arise in natural monopolies, whether they are state-owned or in private hands. However, the regulatory bodies need to meet certain requirements to do a good job, and these requirements are not always within the grasp of developing countries. Independence,

competence, moral integrity, a sound reputation, and adequate funding – all help regulatory authorities circumvent the tangled webs of corporate and government interests, the allure of bribes, and proven mistakes. On the whole, a mature civil society and strong institutions form the foreground for regulation.

Perhaps, most importantly, privatisation must be conducted in a clear and transparent manner.

The logic behind privatisation is that private firms are believed to be more efficient, and capable of doing a better job than public ones. There is a certain bias in this statement, as public companies are usually operating in peculiar markets while private firms engage in competitive markets. In principle, cross-sector comparisons can be misleading. Accountability is the prerequisite for efficiency: it can exist both in the corporate and public sectors as can inefficiency. Nonetheless, sometimes, public jobs are less remunerative, attracting less qualified personnel while the State-owned Enterprises (SOEs) are often used as vote basins by the government so that the much needed restructuring in companies is not undertaken because of the high political costs.

At times, the SOEs can also have soft budget constraints that can nurture and nourish an attitude of wastefulness of public resources. Such peculiarities of the SOEs can lead to a less-than-perfect efficiency. The troubling fact is that private firms running natural monopolies are also attracted to this spiral of inefficiency.



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Private firms, especially the big corporations involved in service privatisation, have better access to the private capital market. This, though, does not automatically imply a higher rate of investment; it merely opens to them the possibility of investment. When privatisation and investment are linked together they yield, for the most part, positive results, but the benefits tend to be distributed unequally. Investments are usually made only if there is chance for profit and this is rarely the case for infrastructure that serves poor households. Without regulation, benefits are distributed solely among the middle and upper classes, leaving the effect of collective welfare unknown.

Private foreign companies also usually have technical and managerial skills that are not available at the domestic level. Whether these skills are implemented or not gives a case for or against privatisation. Management skills might not be effective in the local context and advanced technology is not always the best solution in developing countries, where less advanced systems give just as good, and cheaper results.

In most of the data available, privatised utilities have raised prices. This is not wrong, necessarily. Artificially low prices, through direct or indirect government subsidies, distort markets and the use of resources. Subsidies also distort the perception of prices by customers. In fact, paying for losses generated by SOEs is an indirect price paid by citizens for the service they receive. A moderate increase in sales price might,

therefore, actually be a decrease in overall expenditure on that commodity. On the other hand, skyrocketing prices have no reasonable explanation and must be dealt with by proper regulatory authorities. Lay-offs have been common in almost all cases of privatisation. Private companies do not face elections and can take unpopular decisions that are sometimes necessary. Lay-offs are useful to cut out the fat of the over-employing SOEs.

The poorer strata of society are those who generally benefit less or suffer more from privatisation, be it because of the higher prices or the low investments made in their infrastructure. As mentioned above, an overall higher output that reaches only certain social classes may actually have an adverse effect on social welfare, thus promoting inequality. Disconnected from public services, the poor find ways to illegally connect to the network, sometimes causing accidents and deterioration to the infrastructure. It seems difficult for privatisation to help the poor without specific regulation in their favour, but even simple price discriminations could be sufficient to help them attain greater social cohesion and equity.

The management of public utilities has mainly come in contact with profit agents or government run agencies, not fully exploring the variety of the governance systems available. Should some of these be viable and efficient, the debate on privatisation would become a surpassed issue. But, while still unsure of the overall effects of privatisation, countries should not blindly follow the same. Solutions are not always directly linked to problems.

What did 7Up2 Achieve? A Donor's View

The biennial 7Up2 Project, implemented by CUTS, was a multi-stakeholder initiative covering the ambit of South and Southeast Asia. The project was aimed at accelerating the process towards a functional competition policy and law for the selected six countries, they being Vietnam, Lao PDR, Cambodia, Bangladesh, Nepal, and India, and advancing an enabling environment for the law and policy to be better enforced.

The project initiated in Hanoi, Vietnam in April 2004 reached its culmination in the Project Final meeting in Bangkok, June 2006.

The primary objectives of the project were the establishment of structures/actors able to advocate efficiently for the enactment of a competition legislation; addressing developments/changes in competition law and policy; the establishment of enhanced training

facilities in the country; and development of a meaningful dialogue between civil society and consumer groups (wherever they exist) and government officials.

Placed against each objective, the achievements of each and every country have been charted and it gives a succinct portrait to the achievement of the 7Up2 project.

For Vietnam, the project built the capacity of stakeholders. Also, Competition Law and Policy (CLP) has become part of the curriculum in a couple of university programmes. There are many graduate studies and doctoral thesis being done on the subject.

For Lao PDR and Cambodia, weak linkages were established. There has been some capacity building among stakeholder groups in both the countries, and unlike Vietnam, no progress whatsoever on the establishment of training facilities in

the country. Likewise, in Nepal, there has been no achievement on the same, while in Bangladesh there is CLP in one programme and in India there is a CLP in the programmes of a few institutions. In the three countries of South Asia, there has been capacity building among stakeholders with varying degrees of success. In India, many outreach programmes and lobbying has helped prepare the ground for adopting a national competition policy.

Overall, the 7Up2 project has been relatively successful and able to raise a considerable level of awareness and interests among stakeholders in project countries, though challenges remain. There has been appreciation for the essential and successful inputs in building an international network between project partners, donor agencies, NGOs, and various regional stakeholders.

Extracted from a report by Andrea Gaber of the Swiss Competition Commission.

Just a Second Reading

Pursuant to Belgium's Chamber of Representatives approving the new Competition Act for the country, the Senate has approved the proposal, which will introduce important institutional reforms and will bring Belgian Competition law further in line with European Union (EU) Competition Law.

At the institutional level, the new Act will reinforce the Belgian Competition Authority and will provide it with new tools designed to ensure a more effective and coherent enforcement policy.

As regards restrictive practices, the possibility for parties to notify agreements with a view to obtaining an exemption from the prohibition of anti-competitive agreements will be abolished.

For procedural reasons, the Competition Act has been split up into two different Acts, which will enter into force on the first day of the fourth month, following their publication in the Belgian Official Gazette. However, before their entry into force, both Acts will likely be co-ordinated into a single text. *(GCR, 27.04.06)*

More Space to Fly?

The proposed 'open skies' agreement between the EU and the US attempts to liberalise the transatlantic aviation market by allowing foreign investors greater control over US carriers.

The so-called 'open skies' agreement became more urgent following an EU court ruling in 2002, which struck down parts of existing open-skies agreements between Washington and eight EU member states on the basis that such bilateral arrangements discriminated against airlines from other EU nations.

If the deal gets materialised, the treaty would replace the current patchwork of US agreements with individual EU member states and would compel US to open some of its domestic routes to European airlines.

The proponents of the treaty maintain that it will boost competition, lower fares and increase consumer choice and will also provide a template to ease restrictions in other parts of the world.

The critics, on the other hand, maintain that it is a bad deal that gives neither side the incentive to negotiate for more liberalisation in the future.

(FT, 07.05.06 & 12.05.06)

An Overhaul

Foreign companies may have a better chance of winning large public works contracts in Japan, following a government overhaul of bidding procedures in an attempt to eliminate the entrenched collusion that plagued previous auctions.

The ministry of land has introduced an open bidding system for all domestic public works contracts worth more than US\$1.7mn. Previously, the government had relied on a 'designated bidder' system, whereby only government-approved companies could bid for public contracts.

Critics of the old system argued that it severely limited competition and foreign companies' entry into the market, while enabling local companies to actively engage in *dango* – an institutionalised form of bid-rigging that has long distorted the market and artificially inflated contract prices.

Other industry experts have however contended that the new system would not necessarily lead to

increased foreign participation, as all interested companies have to first meet 'pre-qualification criteria', a point-based system that favours established domestic companies. *(FT, 08.04.06)*

Co-operating With

The Competition Bureau of Canada has signed a Co-operation Arrangement with the Korean Fair Trade Commission to improve competition law enforcement in areas such as cartel investigation and deceptive market practices.

The Arrangement equips the Bureau with an additional tool to effectively address anti-competitive practices with cross-border implications and was signed at the International Competition Network (ICN) conference 2006 in Cape Town, South Africa.

Further, the Arrangement would formalise the existing relationship between the two agencies. It also contains provisions on notification, co-operation, and co-ordination on enforcement activities, exchange of information, and avoidance of conflicts. It covers both the competition and consumer laws enforced by each agency.

(Competition Bureau Press Release, 05.05.06)

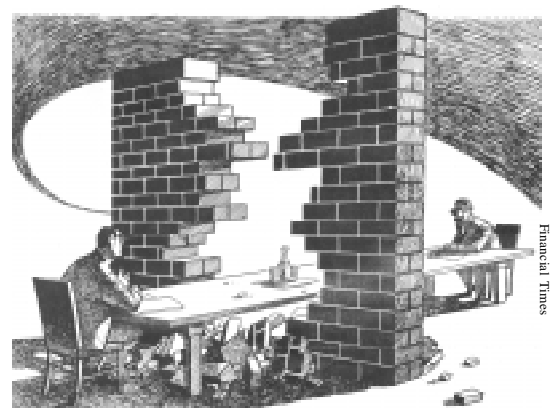
For the First Time

Under an agreement reached between the Vietnamese negotiators and the US, all foreign banks will for the first time be allowed to open 100 percent owned subsidiaries and branches in Vietnam.

The last bilateral accord Vietnam needed to sign before joining the World Trade Organisation (WTO) will limit individual foreign banks to holding a 30 percent stake in any Vietnamese controlled bank, up from the current 10 percent.

It also provides for a significant opening up of Vietnam's insurance and securities markets, including smaller concessions in telecommunications.

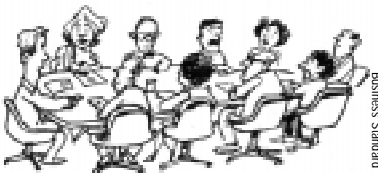
Experts opine that the agreement would deepen US economic ties with Southeast Asia and help to promote both political and economic reform in Vietnam. The negotiations with US were the last significant hurdle to Vietnam's WTO membership. *(FT, 16.05.06)*



Financial Times

In Venezuela

A Law against Monopolies, Oligopolies and Unfair Competition, drafted by a committee established by the National Assembly of Venezuela incorporates several significant amendments to promote and protect free competition in Venezuela.



The objective of the law is to build and maintain a legal framework that guarantees the competitiveness of the Venezuelan economy based on the principles of fairness, equity, and solidarity.

It further attempts to develop the constitutional norms that prohibit monopolies, the abuse of a dominant position and concentrated demands, and prescribe that economic illicit acts, speculation, hoarding, usury, cartelisation, and other related crimes shall be severely penalised.

(ILO, 27.04.06)

Significant Changes

The proposed draft antitrust law of Spain introduces significant institutional, substantive, and procedural changes to the antitrust regime – changes that are in line with the applicable EU Competition Law.

Among others, the significant institutional change is the proposal to create a single competition authority, the National Competition Commission, which will replace the two existing institutions – Antitrust Service and the Antitrust Court.

The draft further proposes reinforcement of instruments against restrictive practices, and improvement of merger control.

The draft also proposes to introduce more flexibility with regards to the suspension of contractions, allowing a takeover to proceed, and suspending only the corresponding voting rights and the participation of parties and third parties in the procedure.

(ILO, 21.04.06)

For the Purpose of Efficacy

In a bid to increase the effectiveness of the country's competition policy and eliminate anti-competitive practices such as cartels and bid rigging, a law amending the Anti-monopoly Act of Japan came into effect on January 4, 2006.

The significant amendment to the Act was the introduction of a leniency programme for surcharge payments in cases of cartels and bid rigging.

Under the programme, enterprises will be exempted from (or receive a reduction in) surcharge payment if they report the fact that they engaged in anti-competitive conduct to the commission and do not engage in further anti-competitive conduct on or after the commencement of an investigation by the commission.

(ILO, 14.04.06)

It's Malaysia's Turn

Malaysia's competition law, which will curb unfair business practices and promote the growth and competitiveness of local companies, is expected to be tabled in Parliament next year.

According to sources, the new legislation will support institutions such as the fair trade practices office and the commission and appeals tribunal. Sources further add that the Act provides clarity on anti-competition actions, conduct and behaviour as well as consistency in applying and enforcing the rules.

The policy is expected to level the playing field and enable local businesses, which are efficient, innovative and productive to have a real chance of competing successfully against the MNCs.

(Business Times, 30.05.06)

An Important Legislation

An increasing number of countries have started realising that anti-monopoly law is an important legislation aimed at protecting fair competition, preventing and checking monopolistic behaviour, and maintaining an orderly marketplace.

Placed in this context, of late, the State Council, China's central government, discussed and approved in principle a draft of anti-monopoly law.

Sources report that the approved draft law has absorbed experience from other countries and contains provisions on banning monopoly-oriented agreement, forbidding abuse of dominance in the market, as well as investigation and prosecution of monopolistic practices.

Enactment of a comprehensive and systematic anti-monopoly legislation will help China to create a fair and orderly marketplace and ensure that the market economy develops in a sound and healthy way.

(www.chinaview.cn, 08.06.06)

Initiating Steps

In the light of large amounts of illegal imitations flowing into the Japanese market on account of loopholes in the law, the government of Japan has initiated steps to strengthen shoreline controls and reinforce the regulation of the importation of imitation products.

According to sources, many import traders evade regulations by posing as individuals, or importing goods for personal use. Hence, the government is in the process to establish counter-measures to curb the flow of imitation products.

Besides, it is also drafting amendments to the Intellectual Property laws to reinforce the regulation of imitation products under each law. The draft bill is expected to be approved by Diet, the Japanese Parliament, during 2006, and come into force by 2007.

(ILO, 30.06.06)

Introducing a New Act

Consequent to the implementation of the EU Takeover Directive (2004/25/EC), a new act amending the Austrian Takeover Act has been introduced.

The Act addresses issues of controlling holding, minimum price, cash consideration, and acceptance period. The Act also includes new provisions on the squeeze-out of minority shareholders.

The overall implications that surfaced is that the new Act will significantly change the rules for takeover bids in Austria, with the new thresholds for controlling holdings, providing greater clarity for investors.

(ILO, 04.05.06)

Nestlé in the Net

Portugal's Competition Authority has fined Nestlé Portugal for reducing competition in the market for coffee in the catering industry.

According to the Authority, Nestlé required hotels, restaurants and cafeterias to sign exclusivity clauses, which affected competition in the market. Further, the clauses had no termination date.



According to sources, Nestlé has been using such clauses since 1999. The authority has asked the company to not only pay the fine but has also been told to remove the clauses. The Commission began its investigation following a complaint.

Nestlé can appeal against the Authority's decision. By way of this decision, Portugal's Authority has for the first time penalised a vertical arrangement. (GCR, 03.05.06)

Quite a Cartel!

The European Commission (EC) has fined seven chemical companies for their role in running a cartel in the chemical sector for six years – between 1994 and 2000.

The chemical industry has repeatedly been the subject of cartel investigations, and already accounted for some of the most spectacular fines.

According to the regulator, these companies allegedly exchanged commercially important and confidential information, limited production, allocated market shares and customers, while also fixing target prices of hydrogen peroxide and perborate.

The regulator opines that such practices are unacceptable corporate behaviour that deprives customers of the benefits of the single market.

(BL & FT, 04.05.06)

Coming Down Hard

The Indian arm of US sports major Reebok has been pulled up by the Monopolies and Restrictive Trade Practices Commission (MRTPC) for indulging in restrictive trade practices against its retailers.

Reebok India has been under observance for payment of differential commission rates to its retailers. It has been alleged that the company paid more commission to its bigger retailers, which put its smaller retailers at a disadvantage.

On a complaint from these small retailers, the investigative arm of the commission, the Director General of Investigation and Registration (DGIR), undertook an investigation which confirmed existence of the elements of 'restrictive trade practices'.

The Commission stated that such a practice distorts competition and is prejudicial to public interest. It further directed Reebok to cease and desist from indulging in such practices with immediate effect.

Reebok, however, said that the different rates of the Commission do not affect consumers because its products are available at one price throughout the country. (FE, 03.04.06)

Threatening Action

The EU Competition Commission has been attempting to create a borderless pan-European market for financial services. But, in the light of several discrepancies in the sector,

noticeable benefits to consumers and businesses had by and large been undeliverable.

One such instance is the large discrepancies existing between fees charged in EU member states, in the payment card sector.

In this context, the competition commissioner has threatened antitrust action against payment card companies, Visa and MasterCard, for exploiting customers. It was alleged that these companies had been making 'outrageous' profits from consumers and small businesses.

EC inquiry revealed little cross-border competition between card providers in this sectors and accused the industry of running a 'closed shop'.

The Commission believes that if the market was made fully competitive, cardholders could save hundreds of euros each year.

The Commission has asked the industry to come forward and redress the problem voluntarily in the absence of which the Commission would have no qualms about pursuing and punishing companies that broke EU competition rules. (FT, 13.04.06)

Found Guilty

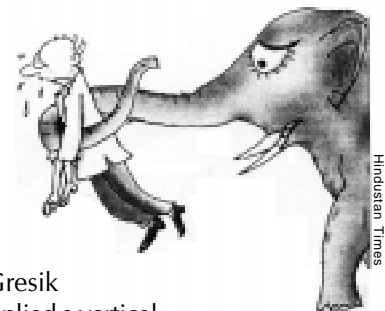
The Business Competition Supervisory Commission of Indonesia has found the leading cement producer of the country, PT Semen Gresik Tbk guilty of unfair business practices, which breach the Anti-monopoly and Unfair Business Competition Law.

The Commission found that Semen Gresik had violated price-fixing regulations and applied a vertical marketing system in one of its eight marketing areas in East Java.

The investigations revealed that for the purpose of distributing its cement products, Semen Gresik had established a network of distributors and, by applying a strict vertical marketing system, had restricted its distributors' trade by allowing them to supply only certain merchants and regular customers.

By the terms of its supposedly free sale and purchase agreement with the distributors, Semen Gresik had also required the distributors to sell its products at a fixed price and prevented them from selling other producers' cement products.

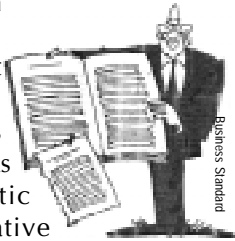
Consequently, the Commission conducted an investigation on its own initiative and ordered Semen Gresik to: disband its network of distributors; revoke the clause in its standard distribution agreement preventing its distributors from selling other producers' cement; cease its price-fixing activities; and pay a fine of over US\$100,000. (ILO, 21.04.06)



Approved Amendments

After months of lobbying by the Federal Competition Commission, the Mexican Congress approved the proposed amendments to the Federal Law on Economic Competition.

The most significant amendments concern monopolistic practices and the leniency policy. As regards monopolistic practices, certain relative monopolistic practices such as abuse of dominance, previously identified in the regulations have now been incorporated in the law, eliminating the constitutional concerns previously raised.



The 'new' relative monopolistic practices include: predatory pricing; discounting for exclusivity; cross-subsidising; discriminating in sale conditions; and increasing a competitor's costs, obstructing its productive process or hampering demand for competitors. The law also incorporated a leniency policy recently approved by the Commission.

The incorporated policy, therefore, provides that any economic agent that was or is participating in a cartel may approach the Commission and request the benefit of a reduction in fine. (ILO, 15.06.06)

Standing Accused

The Australian Securities and Investments Commission (ASIC) has initiated court action against the American Citigroup, alleging that apart from irregular share trading, it had broken the law by failing to have in place adequate systems to manage conflicts of interest.

ASIC alleged that the trading took place on the basis of inside information and that the bank did not have systems to prevent such information leaking from its corporate finance team to its traders.

The case is set to be the first significant test of tough new financial sector regulations in Australia that came into force last year.

(BS, 01.04.06)

Searching upon Suspicion

In connection with suspected bid rigging on a sewage treatment plant construction project in Hannan, Osaka Prefecture (Japan), the Osaka District Public Prosecutors Office has probed 11 sewage plant builders.

The 11 plant builders were alleged to have been involved in deciding the winner of the bid in advance, thus illegally blocking competition.

These 11 firms are members of the NS-Kai bid rigging group. The Prosecutors Office found that the estimates for the project submitted by the firms were about 40 percent higher than their actual bids.

As the client's tender limit – the most they are willing to pay – is usually about 70 to 80 percent of the average estimated price, the prosecutors suspect the 11 firms submitted higher estimates to increase the bid.

(The Yomiuri Shimbun, 19.04.06)

Under Fire

Amid a growing wave of criticism of Korea's large conglomerates accused of opaque management and poor corporate governance, comes South Korea's Fair Trade Commission (FTC) investigations into Hyundai Motors (HM) and its part suppliers.

The probe studies allegations that HM, the country's largest carmaker, attempted to pass the burden of higher raw material prices and the stronger local currency on to its business partners

using its strong bargaining power, thereby violating competition rules.

Investigations conducted found some signs that HM actually exerted unfair pressure on its parts suppliers to cut prices. Should the FTC rule that Hyundai violated competition rules it is likely either to issue an order for the carmaker to correct its practices or impose a fine. Such a ruling would prove detrimental to Hyundai's global image. (FT, 04.05.06)

Non-compliance in Argentina

A recent decision of the Federal Court of Appeals of Mendoza, Argentina, has held that the government has not complied with its obligation to set up the National Tribunal for the Defence of Competition.

The decision also states that the current enforcement agency, the Commission for the Defence of Competition, which was created by the abrogated Antitrust Law 22,262, must enjoy the same independence as the tribunal will have, once it is established.

Pursuant to this decision, the parties will have to request a new clearance for the transaction, which was originally filed in March 2004. The Federal Court decision challenges the government's non-compliance with its obligation to establish the tribunal. It will further delay the transaction by adding two new elements.

(ILO, 08.06.06)

Facing Charges

Pursuant to one of the biggest probe into price fixing in the pharmaceutical industry, Britain's Serious Fraud Office (SFO) has begun criminal proceedings against nine individuals and five companies alleging conspiracy to defraud in relation to the pricing and supplies of *Warfarin* and other drugs.

The SFO said it suspected the firms to be involved in the price fixing of *Warfarin*, a blood thinning drug, the branded drug *Marevan*, and penicillin-based antibiotics, causing immense losses to the public-funded National Health Service of the UK, which have been estimated to stand at 150mn.

(FT, 06.04.06)

Leniency Helps

French competition watchdog broke up a price-fixing conspiracy and granted immunity to one of the cartel members, France Portes, a door manufacturer, in return for its co-operation in providing information about agreements 10 companies struck to fix minimum prices.

The move is indicative of the regulator becoming more aggressive in its attempts to combat business practices that are detrimental to consumers.

Of late, it has fined several businesses for practices thwarting the spirit of competition in the country.

(FT, 12.04.06)

Emerging Trends

The term 'Restructuring' refers to a broad array of activities from mergers, acquisitions, business alliances and divestitures to reorganisations, joint ventures, and leveraged buyouts. Of late, the latest trend, however, has become mergers and acquisitions (M&As). They are two of today's most important competitive tools used by corporations in a rapidly changing global business landscape. Be it healthcare, food, oil and gas, transportation, steel, information technology, or communication, M&As have become the order of the day. Over the last few months, the pace of activity has reflected consolidation in different sectors across the world, particularly in transport, retailing, and pharmaceuticals. Corporates at large are looking forward to growth by way of M&As. A few among the important ones are captured below.

Entering Into...

As part of strengthening its distribution network in France, Zydus Cadila has entered into a distribution agreement with the country's second largest buying group Evolupharm.

Sources report that the agreement will create an additional distribution strength for Zydus France by providing an access to 2,250 more pharmacists and supplements its existing marketing force.

Over the last two years, Zydus Cadila has made progress in establishing the generics business in France, following its entry into the market in 2004.

The company officials report that pure generics business has been identified as one of the key growth drivers in Cadila's global business operations, which is something that the company intends to aggressively pursue and focus on. *(BS, 06.04.06)*

Burp! Quite a Spread!

Nestle, the world's biggest foods group, has taken another step in its strategy of bolt-on acquisitions with the US\$671mn purchase of Uncle Tobys, one of Australia's best known food brands.

Australia is one of the world's biggest breakfast cereal markets. The purchase will significantly lift the presence of Cereal Partners Worldwide, the joint venture in which Nestle and General Mills of US have pooled their cereals interests, and which will take over the Uncle Tobys breakfast cereals side.

The deal is particularly important for Nestle, as it will strengthen its emphasis on nutrition in its push to develop more differentiated products and improve margins. Buying Uncle Tobys will give



Nestle the top position in nutritious snacks in Australia and the number two slot in soups.

Analysts observe the deal as being strategically sound. The deal offered Nestle 'strong opportunity' for cost cuts, as well as the potential to develop Uncle Tobys' brands in sales channels where it was particularly strong.

(FT, 24.05.06)

Popping in More

On a shopping spree in Europe, Ranbaxy Laboratories Ltd. acquired Ethimed NV of Belgium. Ranbaxy claims that it would give it a foothold in the Benelux territories, which include Belgium, The Netherlands, and Luxembourg.

The Belgian market is a largely branded and high-priced market, with increasing generic penetration. The acquisition positions Ranbaxy favourably to capture a significant portion of this expanding market.

According to sources, the deal offers Ranbaxy a ready and robust distribution network to exploit new product opportunities in the future.

It also provides the company a strong base from where it can manage and expand its operations in the Benelux countries. The acquisition is thereby perceived as strategic to Ranbaxy's business in Europe.

However, analysts tracking the sector contend that the acquisition is expected to be a small one and that the company is hoping to grow in size through inorganic growth.

(HT, 01.04.06)

Taken over by Toll

Australia's longest and most bitter takeover battle of recent years ended effectively when Patrick Corporation accepted a revised offer from Toll

Holdings, its transport logistics rival, which valued the company at US\$4.2bn.

The deal, which is subject to shareholder approval, will create the world's fourth largest transport logistics company.

The agreement has significant implications for the future ownership of Virgin Blue, the low-cost domestic Australian airline launched five years ago by Sir Richard Branson.

(FT, 15.04.06)

The Wal-l Crumbles!

Wal-Mart, the world's largest retailer, is to sell 16 of its loss-making South Korean outlets to Shinsegae, the domestic market leader, for US\$867mn, becoming the second foreign retail giant to quit the country this year.

Analysts opine that the retailer was slow in opening stores, failing not only to win more customers, but also to build the kind of market share that would allow it to press suppliers on pricing. Further, sources report that Wal-Mart was not aggressive enough in expanding its networks in South Korea and once it lost the race, it could never catch up.

The purchase extends Shinsegae's lead as the biggest retailer in Korea's US\$22bn discount market, giving it more clout in negotiating lower prices with suppliers. The sale of Wal-Mart's South Korean business still requires approval from the Fair Trade Commission, which will examine whether it violates anti-competition rules.

(FT & FE, 23.05.06)

A Tale of Proton and Chery

Malaysia's national carmaker, Proton, is in talks with Chery, one of the most ambitious Chinese car companies, about a strategic alliance.

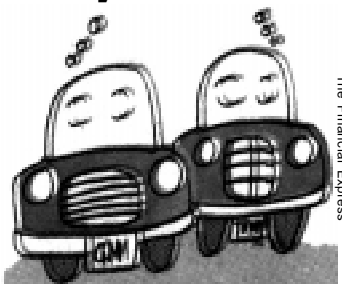
The proposed deal would give Chery a manufacturing platform in Malaysia and allow Proton cars to be produced in the fast-growing Chinese car market.

The deal would allow Chery to produce cars in the 10-country Association of South-east Asian Nations (ASEAN), as Malaysia is a member and it would also help Proton learn more about making low-cost cars, which is what the Chinese are really good at.

If a deal is signed, it is expected to initially involve the assembly of kits of Proton models at facilities in China, while kits of Chery models would be sent for assembling to Proton's Malaysian facilities.

The potential tie-up under discussion would give Chery a manufacturing base in Malaysia in exchange for allowing Proton cars to be produced in China for its booming market.

(FT, 30.03.06)



Nifty Networking

Africa's biggest mobile phone operator MTN Group has agreed to buy Dubai-based Investcom for US\$5.53bn. The transaction will significantly expand the South African company's footprint in the Middle East and Africa.

Investcom is a leading international provider of mobile telecommunication services with operations in Africa, the Middle East, and Europe. Consequent to the deal, MTN becomes the second-largest emerging markets mobile telecom player with 28.1 million subscribers across 21 countries.

Following waves of consolidation in Eastern Europe over the past two years, Africa and the Middle East have become the focal points for mobile telecom companies looking to drive revenue growth at rapid rates.

Besides, operating in these areas offers massive growth potential as mobile penetration is very low, demand is very high, and there is little competition from fixed-line operators.

(GCR, 20.05.06)

Conditional Offer

The Plano, Texas based EDS, has made a conditional offer to buy a 52 percent controlling stake in Bangalore-based Mphasis for about US\$380mn as the world's second largest software services company seeks to compete better with arch-rival IBM and also

expand its offshore presence in India.

If the conditional open offer goes through, then this will be the second largest deal in the Indian software services sector.

The rationale for the acquisition is that EDS wants to ramp up its financial services practice to compete head on with IBM Global Services. EDS has been working on strengthening this practice for the last three years.

IBM's acquisition of PwC has helped it steal a march in this domain. Now, EDS is trying to bridge that gap by acquiring Mphasis

(ET, 04.04.06)

HMV's Buyout

After wrangling over competition issues for 10 months, the music and books retailer HMV agreed to buy Ottakar. The deal will give HMV, which owns Waterstones – UK's number one bookseller, a 25 percent market share.

Pursuant to a six-month investigation, the UK's Competition Commission formally cleared the tie-up. In its investigation, the Commission found no evidence that the deal would reduce competition in the book market.

The two companies said they would face the growing competitive pressure from supermarkets and online retailers better, together. However, the literary world has voiced alarm at the disappearance of a high quality independent book chain.

HMV officials opine that the combined Waterstone's and Ottakar's business will create an exciting quality bookseller that would be able to respond in a better way to the increasingly competitive pressures of the retail market.

(GCR, 09.06.06)

Port Partnership

Hutchinson Port Holdings (HPH) and PSA International, two of the world's largest container terminal operators, have formed a global partnership.

PSA and HPH are the dominant operators in the world's two busiest container ports – Singapore and Hong Kong respectively and cooperation between them would help maintain pricing power over port fees.

Analysts observe that HPH's global port operations were complementary to PSA with little geographical overlaps. Nearly half of HPH's revenues come from China where the PSA is weak.

People close to the deal said the move was partly driven by PSA's desire to stave off potential rival bids for HPH's port operations.

(FT, 22.04.06)

Retailing Big in Russia

Russian retailers Pyaterochka and Perekryostok are merging to form the country's biggest supermarket chain.

The deal is by far the biggest to date in Russia's young but fast expanding retail market, creating a retailer that would have had combined sales of US\$2.4bn last year.

It is expected to spur further consolidation of the still-fragmented sector, as retailers jostle to take advantage of a Russian consumer boom fuelled by high oil and gas prices.

The deal is also a further sign of the emergence of the Russian consumer sector as an arena for corporate activity. Russia's M&As market has previously been dominated by oil and gas, and telecommunications.

The group will have 880 stores with 467 managed by the company and 413 run by franchisees. Analysts opine that a high level of product overlap between the two chains should make possible significant purchasing and logistics savings.

(FT, 13.04.06)

Taking Shape

Alcatel and Lucent are scheduled to meet in the second week of April to discuss issues related to their US\$36bn merger, prime among them being the appointment of two independent European directors and finalising the nil-premium deal, which will see Alcatel offering one share for each of Lucent.

The two telecom equipment giants are already on the verge of finalising the negotiations though the constitution of the Board is yet to take shape.

Given that Alcatel shareholders will control more than 60 percent of the enlarged group, it is felt by many that it might find it difficult to see control of an industrial flagship pass on to a joint US-French board.

Lucent on the other hand, would be satisfied with being able to sign off on new European Board members and could argue that these additions would not affect the fundamental equality in the governance of the combined group. *(FT, 01.04.06)*

Gone Astray

While moving ahead in banking and equity sector reforms, China seems to have strayed away from corporate governance and lagged behind many emerging market countries.

According to a study conducted by the Institute of International Finance (IIF), in the last two years, the Chinese authorities have recognised that investor confidence is tied to high standards of corporate governance and that this is a prerequisite for developing capital markets.

Pointing out that financial disclosure and the overall corporate governance remained weak in the country, experts opine that the Chinese corporate governance task force is now making a series of recommendations, including resuming new equity issues in the domestic stock markets and to allow market forces to function normally. *(FE, 31.03.2006)*

Indonesia Ahead

The California Public Employees' Retirement System (CalPERS) has added Indonesia to its list of 19

countries where its fund managers may invest, because of improved political stability in the South-east Asian nation.

CalPERS is presently managing assets worth US\$200bn across Argentina, Brazil, Chile, the Czech Republic, Hungary, India, Israel, Jordan, Malaysia, Mexico, Peru, the Philippines, Poland, South Africa, South Korea, Taiwan, Thailand, and Turkey.

According to sources, the CalPERS move reflects foreign investors' confidence in Indonesian assets and that investment climate in terms of the economy and politics is improving. *(BL, 19.04.06)*

Settling Claims

In a landmark compensation case, Sprint Nextel Corp., the number three US mobile phone services company has agreed to pay New York City US\$2,95,000 to settle claims that it used misleading print advertisements about cell phone charges.

The City Department of Consumer Protection had sued Sprint for telling consumers that long distance calls and long distance services were free, when both the services carried charges disclosed only in 'tiny, multi-line

footnotes'. City laws required advertisers to use 'clear and conspicuous' type in print ads.

Virginia based Sprint said that it would review the advertising of its New York retailers, periodically.

(BL, 20.04.06)

Appeal in Nigeria

Europe's second largest oil company Royal Dutch Shell Plc. is planning to appeal a Nigerian court decision demanding that it pays US\$1.5bn into an escrow account for damages to the Nigerian community till the outcome of the case.

Judge Okechukwu Okeke upheld an earlier ruling that the company pay Ijaw communities in Bayesla in the Niger Delta to compensate them for pollution caused by its oil extractions.

According to Sarah Smallhorn, spokeswoman, Shell Petroleum Development Co. (SDPC), Shell's Nigerian joint venture, the company was seeking an unconditional stay of the court's decision pending its appeal of the main action to the court of appeals.

SDPC is the largest oil field operator in the country and is owned 30 percent by Shell, 55 percent by state run Nigerian National Petroleum Corp, 10 percent by Total SA and five percent by EniSpA. *(FE, 23.05.06)*

Verifying Accounts

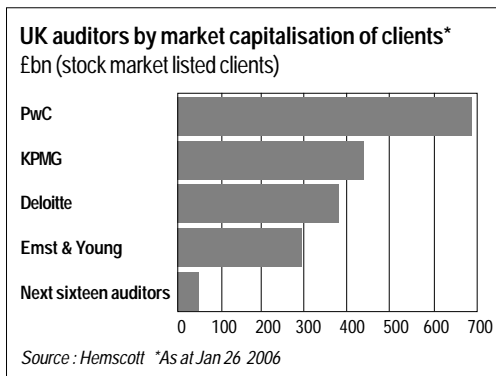
Four major audit firms in UK are verifying the accounts of 98 percent of the country's 350 largest companies.

The issues could come to a head in the UK with the publication of a report commissioned by the government on conditions in the audit market.

Regulators are already warned of the stranglehold of these companies, which are at best unhelpful and at worst unhealthy. Its implications are potentially profound as auditors play a critical role in verifying the information that companies feed to investors. This creates a three-tier problem.

The first is that the destruction of either of these through a criminal indictment or negligence lawsuit may freeze the flow of data to the markets

demand. The big four's oligopoly has also left some companies bereft of auditor options owing to conflicts of interest and a reluctance to use the same firm that a rival does.



The third problem raised by big four dominance centres on its impact on audit quality after the corporate scandals that followed the internet bubble. *(FT, 27.03.06)*

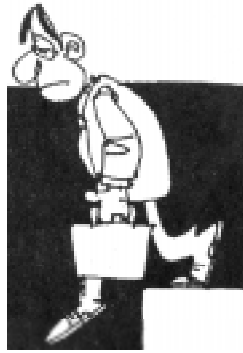
Thrown out of Bolivia

Bolivia has expelled Brazilian steel maker EBX from the country on the pretext that the latter had failed to secure environmental permission to build a US\$148mn pig iron plant in Puerto Suarez, about 1,120km south east of La Paz. The government also said that the plant violated a ban on foreign companies operating within 50km of Bolivia's borders.

Contending, EBX, on the other hand, denied breaking any laws claiming that its Bolivian subsidiary had complied with all regulations, including those covering investment in a tax-free zone near the border designed for exporting companies.

It said that the Bolivian Government had distorted facts, refused to discuss the project constructively, and denied them access to the procedures necessary to obtaining an environmental licence.

(FT, 22.04.06)



Business Standard

incentives more closely with shareholders'; better diligence; and more effective integration. (FT, 03.04.06)

Deciding Factor

As part of its attempt to promote Corporate Social Responsibility (CSR) among corporates, the South Asian Finance Sector Union Council (SAFSUC) has decided to approach credit rating agencies to include CSR as a factor for deciding credit rating of corporate debt instruments.

SAFSUC represents trade unions working in the finance sector of the SAARC member countries. Its main objective is to promote co-operation among central bank and finance ministries in SAARC member countries.

SAFSUC opines that CSR should not be voluntary, but forced on companies. It feels that CSR has been a neglected area and should be given importance and hence has decided to approach credit rating agencies to include CSR as a factor in the rating process.

(BL, 27.04.06)

Cracking Down

In a bid to crack down on corruption by big companies operating in the developing world, the Organisation for Economic Co-operation and Development (OECD) has issued new rules which prescribe that companies seeking export guarantees from rich country governments must in future declare whether any of their staff have been charged with or convicted of bribing foreign officials.

Under the new guidelines, export credit agencies must also check blacklists of companies accused of corruption compiled by the World Bank and other international financial institutions. Companies on the lists could be denied export credits.

The OECD announcement comes amid growing criticism by anti-corruption campaigners and business people of the failure to develop a consistent international approach to tackling overseas bribery. Export credit guarantees are often a key factor enabling a dam project or defence contract to go ahead with critics complaining that such guarantees have often been provided irrespective of evidence of corruption. (FT, 16.05.06)

Breaking New Ground

It has been reported that Wal-Mart has broken new ground by posting on its website its entire Equal Employment Opportunity Data (EEO-1) Report, a confidential document on worker diversity filed annually by companies with the US Equal Employment Opportunity Commission.

The move came in response to a shareowner resolution filed by members of the Interfaith Center on Corporate Responsibility, a coalition of 275 faith-based institutional investors, which withdrew the resolution in recognition of Wal-Mart taking this leadership step.

Experts opine that the move sets a new standard in corporate transparency not only for retailers, but also for all Fortune 500 companies. Further, they add that in publicly disclosing how women and people of colour advance within the company and what opportunities they have, the impetus for continued progress in this area becomes more tangible.

Sources report that Wal-Mart joins only six other companies in the US S&P100 index that publicly disclose their entire EEO-1 Report.

(CSR Wire, 14.04.06)

Issuing New Codes

The Central Bank of Nigeria (CBN) of late issued new codes of corporate governance for banks in Nigeria.

The codes specifically prescribe that the number of non-executive directors should exceed that of executive directors, outline a definite

management succession plan, and balance of power and authority so that no individual or coalition of individuals has unfettered powers of decision-making.

Further, compliance with the provisions of the new code of corporate governance is made mandatory for all the operators in the banking industry.

The new codes also state that the position of chairman of board should be clearly separated from that of the head of management, which means one single person could not combine the post of chairman and chief executive at the same time.

The CBN has also abolished the practice of the board chairman/member of any of the board committees, which it said was against the concept of independence and such corporate governance practice.

(The Tide News, 20.04.06)

Getting Better

Companies are getting better at carrying out M&As, most of which now create rather than destroy shareholder value.

The reason behind the greater success of M&As, according to a survey by London's Cass Business School and Towers Perrin are improvements in corporate governance, the selection of deals, and the integration of newly acquired companies.

The authors of the report opine that the risks of doing a deal have been mitigated by: improvements in governance aligning management's

Joining Forces

Saudi Arabia has embarked on an ambitious plan to boost its oil refining capacity by joining forces with Total, the French energy company, to build a US\$6bn refinery on its Persian Gulf coast.

The memorandum of understanding signed between Total and Saudi Aramco, the state-owned oil company, is the first step of a process aimed at increasing the kingdom's refining output by as much as 60 percent in the next five years.

According to sources, along with record crude prices, energy markets are suffering from a shortage in capacity at refineries, which turn oil into petrol, diesel, heating oil, and other petroleum products.

Saudi Aramco's plans would help ease the burden.

Further, sources add that the proposed project represents an excellent opportunity to build on the kingdom's strategy of addressing global energy demand while attracting foreign investment to expand its economy. *(BS, 24.05.06)*

On a Fresh Bid

The Philippines has launched a fresh bid to privatise its power grid to help repay the huge debts of its bankrupt state power company. It also aims to mobilise investment in the sector's ageing facilities.

Manila has been trying to sell the power company's more than 30 generating plants and distribution facilities. It had tried twice before to privatise the grid but the progress had been slow due to regulatory uncertainty.

Despite the failure to find an investor to operate its national power grid twice in 2003, the government is hopeful of success this time because of greater regulatory clarity regarding transmission charges – the future concessionaire's main source of revenue.

If successful, the auction would help settle some of National Power Corp's US\$6bn debts. Government debt, which rose to almost 80 percent of gross domestic product in 2004, stoked fears of a debt crisis last year.

(FT, 29.04.06)

Consenting to Sale

A difficult chapter in Pakistan's privatisation programme has been closed with the agreed sale of Pakistan Steel Mill, the country's largest steel plant and once one of its most inefficient companies.

The Cabinet Committee on Privatisation approved the sale after the consortium led by Russia's Magnitogorsk Iron and Saudi Arabia's Tuwairqi group presented the highest bid of US\$362mn.

Analysts state the Pakistan Steel Mill sale, after months of uncertainty, not only reflects overall improved prospects for the steel sector in Asia, but also the demand spurred by Pakistan's two year economic recovery and concerns that imports may dry up if booming countries like China and India retain more steel for their own needs. *(FT, 03.04.06)*

Green Light

The French government has approved a draft bill on the privatisation of Gaz de France (GdF), the energy utility. The law paves the way for the merger between Suez, the Belgian utility and GdF.

The law reduces the minimum shareholding of the French State in GdF to 34 percent whilst creating a golden share that allows the French government to veto certain decisions by the company. The golden share will thus benefit the French government in the merged company.

According to sources, the state will retain its role as a regulator, specifically on controlling prices. It was further emphasised that the merger would preserve GdF's identity and that the combined group's public service remit will be strengthened with the introduction of a 'social' gas tariff.

Further, it was mentioned that the employees will retain current privileges and that consumer prices will not rise after July 2007 when the retail market is opened up to competition in France.

(GAW, June 2006)

Show of Discontent

In an unusual expression of public discontent, the chief of the AT&T's group strongly urged upon deregulating the Chinese telecom market and easing

entry for foreign competition and investment.

AT&T was the first multinational telecom group to set up a Sino-foreign telecom service joint venture in China, in 2000. But due to several regulations existing in the Chinese telecommunication sector, the joint venture has not achieved much over the past few years.

Forest Miller, AT&T chief, observed that though China is making noteworthy progress in opening markets since its WTO accession, there have been restrictive shifts as well.

The discontent expressed highlights a growing sense of frustration by multinational companies in sectors such as telecoms and media that have been limited by rigid regulation in China. *(FT, 07.04.06)*

Changing Track



The Hong Kong government announced plans to privatise the state-owned Kowloon-Canton Railway Corporation (KCRC) through a back door listing worth at least US\$6.3bn over 50 years.

Hong Kong-listed MTR Corporation (MTRC), which operates a rail system in the territory's inner city, has agreed to pay the government an upfront payment of US\$1.55bn followed by US\$96.45mn a year to run for 50 years, the KCRC network, which covers the suburban hinterland and cross-border traffic with China. It will also acquire some of KCRC's property assets.

MTRC, which is 76 percent owned by the government, has been in talks with KCRC since 2004 about merging their operations to raise efficiency and reduce fares on one of the world's best-run rail systems. *(FT, 12.04.06)*

Treading Carefully

Officials in South Sudan are looking for foreign investment to develop the impoverished but oil-rich region that has been devastated by a 21-year conflict, which ended last year.

Sources report that officials are looking for foreign investment not only from South Africa, but all over the world.

Analysts opine that the biggest obstacle to South African investment is a lack of awareness locally about South Sudan. The region is new and unpredictable terrain for business people. South African officials are reported to have been cautiously monitoring the shaky peace agreement.

Besides, the other set of deterrents to investment in South Sudan has to do with landmines and the activities of the Lord's Resistance Army (Ugandan rebel group operating in South Sudan)

A source at the South African Chamber of Business in Johannesburg stated that there is a lot of interest in the oil industry, but this has yet to translate into action.

(TerraViva Africa, 25.04.06)



Warned of 'Danger'

The International Energy Agency (IEA) has warned Latin America of dangerous energy policies.

The warning comes in the wake of Bolivia's energy nationalisation decree, taking control of Bolivia's large gas reserves from multinational energy corporations.

Earlier, Venezuela had increased its grip on the oil industry and confiscated oil field operations of Eni and Total. Subsequently, Ecuador too changed its oil contracts. The latest in the list is Bolivia.

IEA has thus warned that by initiating such changes the Latin American countries are embarking on a dangerous path and that if they do not seek right balance between the companies' interest and the country's interest, the latter will ultimately lose.

Across the globe, and in a contrasted development, Pakistan is targeting up to US\$2.5bn in state-owned asset sales and an equal amount of FDI in the sectors of oil and gas, power, construction, real estate, and textile, each year, to help bridge a growing current account deficit as the economy gathers pace.

According to official sources, Pakistan has tight deadlines for privatisation of its various state-owned

enterprises, which it is keen on meeting. It is also seeking to attract FDI in various sectors of the economy.

(FE, 30.03.06 & FT, 04.05.06)

A Long Haul

The planned sale of Telstra, the dominant communications carrier of Australia is approaching its final stages. The Australian government has long cherished the full privatisation of Telstra and after a 10-year battle, managed to attain parliamentary approval, in late 2005.

But Canberra's proposal to sell off its remaining 51.8 percent stake to investors threatens to be derailed by a bitter disagreement between the company and the chief regulator.

Meanwhile, Telstra has been experiencing a rapid fall in earnings from its traditional fixed lines as customers switch to broadband or mobile technology or to competitors.

It is further embroiled in a bitter dispute with the regulator, the Australian Competition and Consumer Commission, over the price it must charge competitors for access to the copper lines that run between Telstra's exchanges and customers' home.

Despite all regulatory and financial upheavals, the officials are optimistic that all will end happily.

(FT, 10.04.06)

Altering Course

Malaysia's water industry is set to undergo major reforms with the Water Services Industry Bill 2006.

According to sources, the move followed frequent complaints of muddy drinking water supply to homes in some areas as well as irregular delivery, including in the most developed state of Selangor as well as in rural Sabah state on Borneo Island.

Several consumer activists and opposition lawmakers have expressed concerns that the Bill could eventually put control and ownership of water supply in the hands of foreigners, and make water rates more expensive, to which the government has assured that foreigners will not be given control of the industry.

According to official sources, Malaysia would not liberalise the water industry, as it was considered a basic utility and would not be opened to international investors.

Sources further added that the rationale for introducing the bills is to ensure quality and reliability where water supplies are concerned. The Bill will ensure that the industry is regulated and that consumers enjoy better services.

(The Sun, 17.04.06)

Privatising the Post

The Austrian Post, Europe's third postal service has been privatised with the 49 percent sale of state shares in Osterreichische Post.



Anton Wais, chief executive, supervised the deep restructuring of the once marginally profitable operation, with deep job cuts, and a sharply reduced number of post offices, and sorting centres.

The strategy has thereby prompted a marked improvement in profitability with both net earnings and operating profits surging high.

Wais said the group hoped to expand further into the letter and parcel services in Central and Eastern Europe, where market liberalisation has stepped in gradually, in many cases. It already has a substantial presence in the Hungarian market.

(FT, 16.05.06)

On Top of the Agenda

As part of a sweeping assault on protectionism within the EU, and in a bid to open fully the Union's energy markets by July 2007, Brussels initiated an investigation to determine whether countries were fully implementing agreed EU energy legislations.

Most cases concerned specific market practices in gas and electricity, such as implementation of unbundling legislations.

The action also confronted regulatory issues as to whether governments have put in place a fully independent watchdog to regulate gas and electricity activities.

Consequently, 17 countries faced legal moves for failing to put into national statute books European laws that would open energy markets to competition.

France, Spain, and Italy were among those countries that faced the harshest criticism. Experts opine that the move could hit companies such as Electricite de France, Gaz de France, Gas Natural of Spain, and Enel of Italy.

(FT, April – May 2006)

Significantly Surprising

As a surprise decision, the New Zealand government has ordered Telecom Corp., the country's biggest listed company to open its local networks to competitors. The move is said to be the most significant shake-

up since the sector was privatised in 1989.

Among the raft of new measures announced, of note is the requirement that Telecom, a former state owned monopoly, allows rivals access to its local loop – the copper wires that link telephone exchange with customers.

The decision would allow other Internet service providers to compete fully with Telecom to provide high speed, competitively priced broadband services.

The government is further looking at structural separation of Telecom's retail and lines operation. Though the decision has been welcomed, experts who opine that it would deter companies from investing in new technologies have expressed grave concern.

(FT, 04.05.06)

Unbundling a Monopoly

India's oil ministry has drawn up draft guidelines for the unbundling of GAIL's monopoly of India's gas transmission business.

The proposed Petroleum and Natural Gas Regulatory Board will formulate the final guidelines.

Under the proposed regulation, pipeline owners will need to provide at least 25 percent of the pipeline's capacity for third parties on 'open access' and a first come-first-serve basis.

(GER, June 2006)

Scrapping 'Roaming' Fees

In a move that could deal a heavy blow to mobile operators, the EU telecom commissioner has asked companies to scrap unjustified roaming fees – the add-on price consumers pay to make or receive a call when abroad.

Though roaming rates vary but can account for upto 40 percent of the costs, consumers pay to use their regular mobile phones elsewhere in EU. The move would therefore enable mobile phone users to make big savings.

For Europe's telecom industry, which makes 10-15 percent of profits from these charges and is suffering from a slowdown in earnings growth, the move could be a significant setback.

If the plans were to go ahead, they could backfire in case companies charge more for handsets or other services to recoup lost revenues – though the intense competition in the sector could prevent such steps.

Contending the move, mobile phone companies claim that fees are falling and emphasises that competition alone should spur price cuts.

(FT, 29.03.06)

Reinforcing Powers

Unlike other countries, Italy has not yet developed a culture of risk prevention and protection. Of late, in an attempt to reorganise and consolidate legislations relating to insurance, the new insurance code of Italy came into effect, which aims at extending and strengthening the Italian insurance regulator – ISVAP's – powers.

Under the new codes, ISVAP has been granted broad powers to prevent and take action against the marketing of products, which violate the Insurance Code's provisions on advertising and fair treatment of customers.

Further, the new code makes it mandatory for insurance companies to prepare contracts (and other documents to be delivered to the insured) in a clear, exhaustive manner and to draw particular attention to clauses relating to loss of rights, invalidity or limitations on guarantees.

ISVAP has also been empowered to introduce regulations governing the rules of conduct to be followed by contracting parties leading to regulation of the insurance sector of Italy in an effective manner, and thereby ensuring consumer welfare.

(ILO, 24.05.06)

Power in India: Rambling Regulation!

The Indian government is likely to amend the National Tariff Policy to allow state power regulators to fix the open access surcharge.

The policy announced in January this year introduced a uniform formula for all state regulators to calculate the cross-subsidy surcharge for open access in distribution.

Regulators have however stated that one uniform policy was difficult to apply in different states and wanted the flexibility to fix surcharge.

In another instance, the Orissa Electricity Regulatory Commission (OERC) has started proceedings to suspend the licences of three distribution companies in the state (all part of Reliance Energy) for violating the provisions of the electricity distribution licence.

The Commission said that the companies were unable to discharge duties expected of them under the Electricity Act, 2003 and failed to follow directions given to them.

(GER April-May 2006)



Inking for Amendment

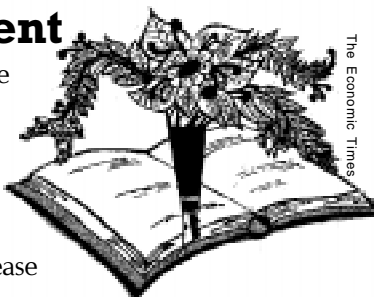
The government of Sri Lanka is in the process of inking a deal with the Lanka Indian Oil Corp (LIOC) to amend the petroleum pricing formula.

Retail fuel prices are currently governed by a pricing formula pegged to world market prices, though final approval for a price increase comes from the Treasury.

According to officials, once the deal comes into effect, there will no longer be a pricing formula and that a regulator will have to come in to regulate the sector and also pricing.

This will allow fuel retailers to set their own prices. The Treasury has said it will no longer control prices or subsidise the companies for selling below cost.

(Lanka Business Online, 12.06.06)



Since March 2006, the domestic mobile phone market has become active with a wide range of sales promotion and price reduction campaigns to woo customers.

(Vietnam Economic News, 26.04.06)

Positive Response

According to the Netherlands Competition Authority (NMa), the energy sector has responded positively to its call to draw up a code of conduct for acquisition and customer retention.

The regulator opines that confidence in the energy market has been seriously undermined by misleading and unfair acquisition practices. The code of conduct can make an important contribution to solving this problem.

In the coming period, NMa will monitor closely whether the code contributes to ensuring that consumers are no longer the victim of misleading and unfair acquisition and experience problems switching to a different energy supplier.

The regulator will remain in dialogue with the sector on the added value of the code and, where necessary, propose amendments or additions.

(www.nmanet.nl, 26.06.06)

Dubai's New Policy

The Telecommunications Regulatory Authority (TRA) of Dubai is reported to be in the process of preparing a competition policy including a regulatory framework for Voice Over Internet Protocol (VoIP) services.

The new policy would handle local market and ensure that the first telecom operator do not monopolise the market.

TRA is also working on a number of policy issues, including a licensing model for Internet Service Providers (ISPs) and a computer emergency response team.

According to officials, the regulator is working on the VoIP regulatory framework requirements, the type of approval framework requirement, and the national telecom standards for telecom equipment.

Further, the TRA would also work to assure a standard set of applicable procedures, policies, and directives applicable to the UAE. *(GAW, May 2006)*

Dispensing with Limitations

The digitisation of broadcasting and telecommunication services has removed limitations on spectrum capacity, creating an industry in which transmission networks are increasingly substitutable and operators are able to provide telephony, broadband Internet access, and broadcasting services through a single data pipeline.

Other countries have already responded to this international trend by restructuring their regulatory systems. Hong Kong comes up next, as the three-month-old consultation

process on the establishment of a unified regulator for the electronic communications sector in Hong Kong concluded with the submission of final contributions from various stakeholders.

Accordingly, the setting up of a communications authority has been proposed, which shall compose of seven members and shall replace the Telecommunication Authority and the Broadcasting Authority, assuming their statutory powers and functions.

(ILO, 29.06.06)

All About Wooing

The Ministry of Posts and Telematics of Vietnam will allow different mobile phone networks to reduce costs to benefit consumers and match economic globalisation requirements.

Vietnam Posts and Telecommunications Corporation (VNPT) recently submitted to the Ministry of Posts and Telematics its plan for cost reduction. Accordingly, the drive is expected to take effect on May 1, 2006.

Under the plan, one minute will cost between VND1,200-1,500 and the post-paid network connection fee will be reduced to VND100,000 from the existing VND200,000.

In addition, VNPT has also proposed a new fee calculation method based on each six-second block instead of the existing 30-second block.

As a result of growing market pressure, mobile phone service providers have reduced costs prior to getting official approval from the Ministry of Posts and Telematics.

Regulating the Regulator

According to an exit report by a senior Independent Communications Authority of South Africa (ICASA) staffer, there is a lack of leadership at ICASA.

Eleven exit reports show that senior officials at ICASA are fed up with council interference in management operations and the regular flouting of the regulator's policies and procedures.

The ICASA council plays the role of a decision-making authority, having the final say with respect to all the authority's policies and regulatory and licensing activities.

The report further alleges that certain councillors have intimidated, victimised and terrorised staff and that they have intervened on behalf of staff with whom they have friendly relationships to protect them from disciplinary action by their supervisors.

(Mail & Guardian Online,

06.02.06)

You Never had it so Good!

Parallel Importing of DVDs in New Zealand

From 1998 to 2001, the parallel importing of DVDs was permitted in New Zealand. Matt Burgess and Lewis Evans* saw this 'natural experiment' as opportunity to examine the benefits and costs of parallel importing.¹ And their conclusion is that parallel importation of DVDs enhanced consumer welfare.

Parallel importing is the importation of legitimately produced goods without the consent of the relevant copyright, trademark, or patent holder (or their agent) in the recipient country. It is attractive because of international differences in the price, associated services, availability, and quality of goods.

Now & Then

By the end of 1990s, New Zealand had had a long-standing and relatively pervasive prohibition to parallel importing. This policy was dramatically reversed in May 1998 with the unanticipated announcement and passage of the Copyright (Removal of Prohibition on Parallel Importing) Amendment Bill that removed all restrictions on parallel importing.

In the period following the amendment, parallel imports began to trickle into the country across a range of industries, including film and video. In mid-1999, small numbers of films on the then new DVD media standard were being parallel imported for rental by video stores. By the end of 2001, the flow of parallel imported DVDs had become a torrent.

Two events put a stop to the parallel importation of DVDs for rental. First, a test case in the High Court resolved some uncertainty in the 1998 amendment wherein the Court stated that Parliament did not intend that the scope of the rental rights granted under the Copyright Act 1994 should apply to parallel-imported copies of works protected under New Zealand copyright law.

Second, the legislation in 2003 formalised a permanent ban on renting parallel-imported DVDs, and extended the right of copyright owners to prohibit the parallel importation of motion picture films, DVDs, VHS videos, and video CDs for sale within nine months of the first international release of a film.

Where DVDs were parallel-imported, the 30-month window (approximately) created a natural experiment. By comparing outcomes before, during, and after this period, we can gain some idea of the effects of parallel importing on consumer benefits and overall welfare.

Sum Games

The net benefits of parallel importing are the outcome of a trade-off between competition and investment in intellectual property (IP). A prohibition on parallel imports extends intellectual property rights (IPRs) from the traditional monopoly on production to a monopoly on the importation of goods. The relationship between IP and welfare may be viewed as a hill. Starting from a point of no rights, welfare is enhanced as IPRs are introduced and strengthened and the output of ideas increases. At some point, welfare peaks – and then it starts to decline, as further increases in IP protection lead to small gains in new products and greater losses in amounts consumed.

The question of whether parallel imports should be permitted depends on whether giving (to the owners of IP) protection from parallel importing will shift welfare towards or away from the welfare optimum. In practice, assessment entails estimating each source of change in welfare. In our study of parallel importing, the main simplifying assumption was that the decision of domestic and foreign film studios to invest in a film would not be

affected by the IPRs granted to foreign films in a country as tiny as New Zealand.

The DVD experiment is particularly interesting in that the court's finding, and the subsequent legislative amendment, delayed the release of films in New Zealand and raised the cost of DVD formats relative to cinemas. In the absence of parallel importing, the distributors can delay both cinema and DVD releases and so enhance profitability.

Judging by Results

We found that parallel importing of DVDs for rental and sale caused a significant reduction in cinema earnings. This was caused in part by a reduction in real prices, but mainly by a loss of customers to DVD viewing.

As we expected, parallel importing also led to a significant reduction in delay in New Zealand cinema releases. The reduced delay under parallel importing constituted a major benefit to consumers because they much prefer earlier to later viewing.²

Not much Downside

Parallel importing was not associated with reductions either in marketing or variety of films released in cinemas, at least over the (relatively short) period studied. We consider our results demonstrate a social net benefit from parallel importing.

Consumers enjoyed benefits from competition between media (DVD versus cinema) and from earlier release of films in all relevant media.

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1 Matt Burgess and Lewis Evan. 2005. *Parallel Importing And Quality: An Empirical Investigation* (<http://www.iscr.org.nz/navigation/research.html>).

2 It is well known that earlier consumption is preferred to later consumption. Indeed, this is indicated by our data that suggest that consumers were willing to pay \$10 to rent DVDs a few weeks in advance of the time when they could rent for \$7.

The Relationship Between Competition and Regulation Policy and Administration

– Prof Allan Fels*

To begin with, there are several dimensions to any discussion on the relationship between competition and regulation.

First, there is the question of the relationship of competition policy to regulation in the most general sense of that term which refers to government, laws, regulations, and other edicts. In a modern economy, many regulations affect the state of competition, quite often negatively.

Second, there is the question of competition in regulated industries. In most countries, this refers to industries, most often public utilities such as energy, telecommunications, and transport. Such industries are usually the subject of economic regulation. Key questions concern how these industries could be made more competitive, how exactly are they regulated and by whom and by what are the effects on competition?

Third, there is a related question as to how does competition law apply to regulated industries, who applies it and to the extent of its application, and exactly what are the special issues?

In this paper, we will briefly discuss each of these dimensions. A recurring issue in each dimension is whether competition and regulatory policies complement one another, or whether they are in conflict with each other.

General Regulation

A vast number of laws, regulations and government policies affect the state of competition. These regulations apply at all levels of government including local, regional, state or provincial, and they cover all sectors and they apply to all fields of government activity. As such, the effect on competition may be either positive or negative. No analysis of competition policy in the modern economy is complete without considering the effects of regulation on competition.

A comprehensive competition policy includes all government policies that affect the state of competition in any sector of the economy including policies that restrict as well as those that promote competition, and in a federation includes laws and regulations at all levels of government—federal, state and local—that affect the state of competition.

The economic deregulation movement tries to remove as much regulation of economic activity as possible. In most countries, there has been a wave of deregulation but many areas requiring significant regulation remain. Moreover, for every act of deregulation there is often a new form of regulation, often with anti-competitive effects.

There is a range of utilities covered by economic regulation – energy, telecommunications, transport, water, and so on. Sometimes, the list is wider, especially in developing countries.

More complex is the case of utilities, which are natural monopolies or those, which are arguably monopolies by virtue of existing protective laws. Most often, the policy approach is regulation – but in fact there is a range of possibilities for dealing with them.

Telecommunications is the best-known field to which access laws apply. Generally, the field is characterised or is believed to be characterised by a natural monopoly in some activities and competitive conditions in others. Policy in most countries has been driven by a general belief that ‘the last mile’ is uncompetitive.

The answer then is access laws. Under them, the ‘new’ entrants are allowed access to the use of the monopolist’s

facilities to compete with it. These are sometimes called ‘essential facilities’. These are facilities which are essential as inputs at some point in the production process whether downstream or upstream for there to be productive operations at other levels of the production process.

Utilities are usually also subject to price control of prices to consumers. For many years, regulation was conducted on the basis of setting prices that covered the costs of the utilities and which also provided for a ‘reasonable’ rate of return on investment. This form of regulation was seen as providing few incentives for efficiency, since all costs could be passed on. Indeed, some argued that in certain cases price regulation actually provided an incentive to overspend on capital facilities in order to maximise profit.

Interaction between Competition Policy and Regulation

There has been significant debate in many countries as to the most appropriate framework for administering economic, technical and competition regulation. Among the issues debated have been the merits of general versus industry specific competition regulators and of integrated versus separate administration of economic, technical and competition regulation. There has also been debate about the role of national and state regulation.

However, competition law and regulatory institutions have generally been kept separate in most countries, with provisions making it clear where the boundaries between activities are, and providing for some degree of co-ordination.

As a result, competition authorities generally believe that they face large challenges in their relationships with sectoral regulators.

This is why the issue is often at the top of the agenda for international competition regulation agencies; it is why, whenever competition regulators or policy makers are invited to nominate topics conferences, they always vote for the topic ahead of others; it is why there have been so many previous discussions, and why there will be many more.

The competition community tends to see something like the following as ideal:

- There should be no regulatory laws that restrict competition;
- But if they are absolutely necessary and there is no alternative, the restrictions on competition should be minimal; and
- The competition body should have paramount decision-making power in relation to any matter affecting competition.

As a general comment, it should be noted that competition authorities and sectoral regulators should be on the same side, because:

- Economic growth is enhanced by pro-competition regulation; and
- The objectives of competition authorities and sectoral regulators are very similar.

But, they are not, however, always the case in practice.

I wish to challenge the important point that the ideal relationship between competition authorities and regulators is driven by a central government that promotes a broad review of existing regulations with a pro-competitive lens, ensuring that a competition culture encompasses both sector regulators and competition authorities.

Less Than Ideal Arrangements

In practice, however, many countries have not achieved the optimum outcomes desired by competition advocates. It is necessary to know why. It may be that partly competition advocates seek more than is reasonable, given the fact that governments pursue a variety of objectives other than competition ones. Also, competition agencies and regulators may have different core competencies and each should separately do the tasks for which they are most suited.

Another factor is that governments see a number of regulatory tasks as being necessary in regulated sectors, including technical, wholesale, retail, and public service regulation, as well as dispute regulation and competition oversight itself. This mixture of activities with their many varying goals tends to obscure the need to adhere to competition principles as much as possible. It also creates complex institutional arrangements. Competition agencies and their goals are only part of the brew.

How well the compatibility of competition and sectoral regulation bodies works out in different countries, varies. Eventually, it is important that discussions of the relationship of competition agencies and national regulation

acknowledge that in many cases, arrangements fall short of the ideal. It then becomes important to discuss practical ways of dealing with these situations rather than just complaining and advocating ideal arrangements that are not achievable. The diagram shows a range of possible relationships among agencies.

Applying Competition Law to Regulated Industries

Most deregulation has been brought about by a wish to remove restrictions on competition. However, deregulation can give rise to various concerns and questions. Often, the prederegulatory situation involves the establishment and protection of a monopoly. Deregulation often entails open entry by small players into fields dominated by former monopolies or dominant firms. What is often required is not only the application of competition law, but also some additional laws e.g. access laws. Also, if deregulation includes the break-up of monopolies on a horizontal or vertical basis, special attention to the application of competition law is usually required on the part of the regulator.

Conclusion

The role of regulation is to then bring about efficient outcomes by, for example, setting prices at levels that would apply if there were competition. Such an outcome would mean that competition and regulatory policies complement one another.

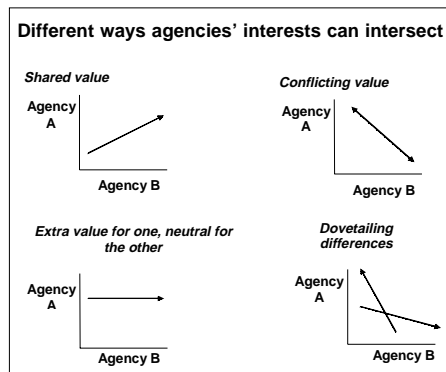
Likewise, there may be instances where regulation is needed to achieve desirable social outcomes such as enhanced safety or environmental protection. Once again, the ideal policy is to promote as much competition as possible whilst having safety or environmental regulation that achieves objectives that cannot be accomplished by competition policy alone. Again, there is complementarity.

However, in practice, there is often a different outcome – one of conflict. Regulation obstructs the promotion of competition and economic efficiency. Regulation may limit entry to an industry in the name of safety, protecting the environment or consumers. It may apply prices in such a way as to discourage competition.

It may impose cross-subsidies under which, for example, high profits are made in one area and used to subsidise low prices in another area. This, in itself, not only distorts market forces, but may also inhibit competition in low prices areas.

Also, laws may have to be enacted to protect the high priced activity from new entry that seeks to engage in ‘cherry picking’ by only supplying in the profitable area of activity. Much regulation, in fact, hinders competition and economically efficient outcomes.

Accordingly, the relationship of competition and regulation is a complex one and not capable of easy generalisation.



*Professor Allan Fels is the Dean of the Australia and New Zealand School of Government and former Chairman of the Australian Competition and Consumer Commission.

Addressing Developmental Challenges in Poor Countries?

– Sajeew Nair*

The fifth annual conference of the International Competition Network (ICN), a high profile global association of competition, antitrust, and fair trade agencies, concluded at Cape Town, South Africa in early May 2006. The overriding theme of the conference was 'competition policy implementation'. Targeted advocacy, technical assistance, experience sharing, replicating best practices and effective functional cooperation among agencies in dealing with cartels, M&As, monopolies and unfair trade practices dominated the discussion in this conference over three days from May 3.

While the functional interface between competition agencies, judiciary and sectoral regulators has been identified as important elements for promoting and implementing fair competition rules in the economy; inadequate and transparent regulatory laws, legitimacy and resource constraints, overlapping jurisdictions, poor business and stakeholder consultations as some of the challenges facing competition authorities.

The evolutionary and perception gap between the rich and poor countries in not only drafting and implementing competition policy and law but also the theoretical orientations behind fair competition principles have been clearly reflected in the deliberations. While the rich country representatives kept clamouring on economic efficiency, competitive markets, technologically neutral legislation and curtailing hard core cartels and economic concentration as key elements of this experience sharing conference, the developing country delegates focused more on the role of fair competition rules in achieving economic equity, access and affordability of basic goods and services such as food, water, electricity, information and communication services as pressing issues.

It is quite evident that Organisation for Economic Co-operation and Development (OECD) group countries have a long experience in relying upon competition policy and law as a tool for regulating markets; most developing, least developed and former communist countries are relatively new entrants in this field. Among the developing countries South Africa, Brazil, Mexico, and Chile have advanced competition policy, law and also the institutional framework for implementing them. Among the young competition agencies, Kenya, Zambia, and Egypt were quite vocal. Although, India is on the verge of implementing a new generation competition policy and law, the absence of an official Indian representation was noticeable. Further, none of the other South Asian countries nor China participated.

Almost 275 delegates attended the conference from 70 countries, the majority being competition and fair trade officials from rich and transitional economies. About a quarter of the delegates came from developing and least developed countries (LDCs). However, notable was that for the first time, an ICN conference was being held in a

developing country. This conference introduced the crucial theme of the role of competition policy in promoting economic development in the ICN agenda, which will be carried forward by the network. Various third world delegates identified developing a proper understanding on the linkages between competition policy and development as a crucial aspect of competition policy implementation. An attempt was made to assess the contribution of competition policy towards achieving developmental objectives.

There is an urgent need to understand better the linkages between competition policy and development, and issue that has not been the subject of research, especially in developing and LDCs.

The intellectual contribution of 'non-state advisors' viz. academics, business, civil society, lawyers, media in establishing competition-business-academic linkages were highlighted. In his presentation, William Kovacic, of the US anti-trust agency, underlined the benefit of network building for competition agencies at the national level by involving actors such as law associations, business chambers, consumer groups, media, universities, and business schools.

As a precursor, the development dimensions of competition policy and law was debated at a symposium held on May 02, which brought together an

array of academics, policy makers, civil society and competition officials. Simon Evenett of the University of St Gallen suggested that there is a potential link between competition policy and achieving millennium development goals (MDGs), while some others thought that this is too ambitious an agenda. Alongside, a media survey research on allegations of anti-competitive practices in sub-Saharan Africa presented by Frederic Jenny of the French Supreme Court showed interesting trends suggesting public perceptions on the role of competition policy and law in Africa.

The ICN should make some progress with developing a better comprehension on the linkages between competition and development when members meet again next year at its sixth annual conference in Moscow. Some initial efforts were made by underscoring the following approaches:

- **Competition and Democracy**
 - **Competition and Redistribution Issues (Poverty Alleviation)**
 - **Competition and Growth (especially in developing countries)**
 - **Contribution of competition policy in determining behaviour of large companies in the Third World**
-

*Sajeew Nair is Regional Adviser with CUTS' Africa Resource Centre (CUTS-ARC).



Competition Law in Egypt

The issue of competition is not new to Egyptian legislation. The Criminal Law does contain articles that deal with monopolistic and anti-competitive behaviour, for example, Articles 345 and 346, which have been embedded in the legislation for more than a century.

However, Egypt never had a special law devoted to competition until 2005. Since 1995, there were several attempts made towards implementing a competition law with the draft being done 17 times, but none ever reaching the final stages of approval, in Parliament. It was only in 2004 when the new Cabinet took charge, that a draft was agreed upon and passed to Parliament for approval. In 2005, Parliament approved the *Competition and Prevention of Monopolies Law*, which was subsequently adopted.

The objective of the Law is in the right to undertake economic activity, which is preserved for all, as long as it does not lead to restraining, preventing, or affecting negatively, the status of competition.

The 2005 Law does not draw upon the ultimate aim mentioned in the laws of other countries, such as economic efficiency and the welfare of consumers, as in Algeria, Armenia, and Canada.

The Law applies to all natural persons and economic entities, while it excludes all public utilities. The Law gives the Cabinet the right to exclude private firms from its ambit, if they partake in anti-competitive behaviours but achieve simultaneously welfare gains or positive benefits for the consumer – the so-called public interest.

The Egyptian Law applies to all kinds of economic activities related to production, distribution, marketing, selling, buying, developing, inspecting, and transporting. In other words, activities included are all those mentioned in the UNCTAD model law, with the exception of IPRs. This is a drawback of the law, since the Egyptian economy is well known to be a pioneer in a large number of copyright related products, and not applying the law to this variable could result in a major loophole, negatively affecting the preservation of competition in the Egyptian economy.

The Law does not identify specific criteria other than the general competition status for determining the scope of the market. For example, it does not include aspects of price

After the 1952 revolution, Egypt, the most populated country in the Middle Eastern and North African (MENA) region, took up the socialist ideology. But, an increasing number of economic reforms, starting with the Open Door Policies of the early 1970s – which made a shift towards export promotion from import substitution – have transformed Egypt to a market economy.

But, a rapidly growing population (the largest in the Arab world), limited arable land, and dependence on the Nile, all continue to overtax resources and stress the society.

In the milieu, the development of an export market for natural gas is a bright spot for future growth prospects, but improvements in the capital-intensive hydrocarbons sector have done little to reduce Egypt's prevailing, persistent unemployment. As of the present, it is something of a mixed economy, officially free-market, but still bogged down by socialist policies.

disadvantages arising from transportation costs, degree of inconvenience in obtaining goods and services, choices available to consumers, or the functional level at which the enterprise operates.

Also, the Law contains the conventional list of prohibited activities contained in most competition laws, which include: manipulation of prices; restraints on production or sales; intentional over-supply etc, which affect prices.

The law does not include a *de minimis* provision. *De minimis* means that certain agreements are too small in size to do any real harm to competition and are not, therefore, of real concern to competition authorities. *De minimis* agreements should be differentiated from other agreements, which have anti-competitive features, and may nevertheless deserve to be exempted from the law because of other redeeming features.

There is no wording in the Egyptian Law that implies the independence of the Competition Authority, which reports to the Minister concerned.

The Authority's activities include all the conventional activities of a Competition Authority, ranging from receiving appeals to investigation, database establishment, etc.

The new Law gives the right to any person and any non-governmental organisation concerned with consumer rights protection, to complain to the Authority about any anti-competitive behaviour.

Future Scenario

Egypt, like other developing countries, has lacked the necessary pillars to have an effective competition policy. The Law, in itself, is not sufficient to ensure an effective competition policy.

Moreover, there are a number of regulatory measures impeding competition, and competition law, which cannot tackle such measures, which relate to trade facilitation. Examples include technical standards, which are predominantly related to food products, engineering goods, and consumer products. The majority of the national standards have no equivalence to international standards.



From Our Readers

Thank you very much for sending me the ReguLetter. It is a very good informative piece. Looking into it I was wondering if you have some publications on Ethiopian Competition Policy. We are doing a research in the area and I remember couple of months back that there was a regional workshop in Addis Ababa organised by CUTS. Would you mind if you could send me any of those papers or monographs? Thank you very much in advance.

Million Habte

*Senior Attorney, USAID Doha Project for WTO
Accession & Participation - Ethiopia
Addis Ababa, Ethiopia*

I have just received your ReguLetter and found it excellent and a valuable update on world antitrust and regulatory events, many thanks for sending it along.

David G. Anderson

Allen & Overy LLP, Brussels, Belgium

I would like to acknowledge the excellent work your organisation performs in the field of competition policy and law, and share a book I recently published with you.

Silvio Meli,

President, Commission for Fair Trading, Malta.



Publications

Fairplay Please!

The first 7Up Project examined the competition regimes in seven countries of Asia and Africa, and came up with the report title "Pulling Up our Socks" which focused on what is needed to buttress the existing competition regimes to make them more effective. "Fairplay Please!" is the outcome of an extensive research including findings of the latest in the series of 7Up projects (7Up2) which has been more challenging, as five of the six project countries did not have a competition law. This book is an attempt to compile with the aid of graphs, figures and interesting case studies, the competition scenario in the project countries. It also showcases stakeholders' perspective on competition law in these countries. Further, the book offers a set of recommendations for effective implementation of a comprehensive competition regime.



We want to hear from you...

We put a lot of time and effort into taking out this newsletter and it would mean a lot to us if we could know how far this effort is paying off in terms of utility to the readers. Please take a few seconds off to grade the newsletter on the following parameters on a scale of one to ten (ten being the best). Try to be honest and please suggest ways for improvement.

- Content
- Number of pages devoted to short news stories
- Number of special articles
- Use as an information base
- Readability (colour, illustrations & layout)

Please e-mail your comments and suggestions to c-cier@cuts.org.

Eagerly waiting to hear from you!

Feedback on Publications

We are pleased to announce the results of a feedback survey that CUTS had carried out on how the publications of the organisation are received by the readers. The purpose of carrying out the survey was to review CUTS' publications and outreach policy in order to make it more effective and useful for its target readers.

CUTS had prepared a Feedback Form for this purpose. In response to the question as to the 'frequency of reading' the publications, the survey revealed that 55 percent of the respondents read it usually and 33 percent read them more than 50 percent of the times. Only about two percent responded that they never read it. The survey revealed that 88 percent of the readers in total read our publications most of the time, thereby acknowledging our hard work in developing and disseminating these publications.

In response to the 'extent of utility' of our publications for our readers in their work, it was found that 45 percent of the readers found our publications useful and relevant most of the time. To the question as to the 'quality of the publications', about 58 percent of the respondents found the publications to be good. There were about 28 percent who rated the quality as excellent. Only six percent found it of average quality and there were no responses at all to the below average option.

With regard to the 'unique features' of publications, majority of the respondents suggested our publications as being simple and reader friendly, useful and practical, and informative. There were a few who suggested that our publications are analytical and deal with issues left out by others.

The survey targeted civil society organisations (CSOs), government agencies, inter-governmental agencies, academia and others, who actively participated in the survey.

For more on the survey, please access: <http://www.cuts-ccier.org/pdf/feedback-analysis.pdf>

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HT: Hindustan Times

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The news/stories in this Newsletter are compressed from several newspapers. The sources given are to be used as a reference for further information and do not indicate the literal transcript of a particular news/story.