

**India Competition & Regulation Report (ICRR)**  
Report of 4th National Reference Group Meeting (NRG)  
Monday, 14<sup>th</sup> May 2007, New Delhi

**Background and Introduction**

CUTS International has undertaken a research project to prepare the first of its kind 'India Competition and Regulation Report (ICRR)'. The project, supported by the British High Commission, New Delhi, has been undertaken against the background that while India has embraced market-oriented economic reforms for the past 15 years, there is, as yet, no periodic review to assess competition and regulation scenario in the country. ICRR is an attempt to fill this gap. The report would be prepared on a biennial basis and provide inputs to policy community and other stakeholders to take necessary actions to promote well-functioning markets.

This fourth meeting of the National Reference Group was organised to review the first draft of the report. Nitin Desai (ND), Chairman ICRR NRG, welcomed all participants.

The complete draft report including respective chapters are available at:  
<http://www.cuts-international.org/icrr07.htm>

To begin the meeting, the chairman requested all the participants to give their comments on the whole report. Given below is the summary of the discussion:

- Overall the report articulates issues of regulation and competition from consumer's perspectives, which comes out very clearly. However, the angle from which the said report is being developed needs to be strengthened at the beginning of the report.
- Introduction Chapter: The transition structure of regulation of the private sector and not just the regulation of state ownership. This change of regulation plays an important role in the angle, which we are pursuing and it is important to get some clarity on the same. It is also important to mention about the steps taken towards de-licensing, when one talks about reforms.
- The report contains various articles or information on competition and regulation issues. It would be useful to have one stand alone piece or an overview covering all the competition issues, which would be helpful in reflecting the status of competition in India. It would be beneficial to have an overview chapter, which pulls out the key findings or suggestions from various chapters.
- The executive summary needs to make it clear at the beginning, that from the competition angle, we had an environment in India where the nature of the ownership structure lead to variations in the goal and motivation of the managers of enterprises. We need to go further and mention that it's not simply the public sector managers who were more inclined towards public sector goals as articulated by the Government and the private sector managers were not, but that the situation was much more complex, than one can understand.

- The report does not appear to be aggressive. The report requires reflecting what are the competition problems in sectors as identified in the report more clearly and avoid making sweeping comments.
- The report's focus is more on regulation rather than competition. However, what should be reflected is that regulation should make way for competition and we need to mention what are the ways to achieve the same.
- The report in some places has made a point about the lower end consumers i.e. poor consumers not being participants in the market, which is sometime true. However, there is an inherent contradiction when one sees the report, as the evaluation does not connect to the statements. It is necessary to justify the statement.
- The report is being prescriptive about regulation without saying whether the prescription is necessary and it does not mention the cost of implementing such prescriptions.
- The impact of abuse of dominance in the market needs to be spelt out more clearly. When we analyse abuse of dominance, we need to look at price plus access issues and not just price. The same has to be more clearly spelt out in the report.
- There are recommendations mentioned in each of the chapters, however, what further needs to be studied is that whether the recommendations would be able to be achieved in real terms? It is to be seen whether the policy environment in India would enable the implementation of the recommendations. There is a big gap between policy and implementation, which needs to be reflected. While doing this, we need to be sure that the focus remains on competition and not on reforms.
- It is important to draw a link between the introduction chapter and all other chapters.
- The Executive Summary should conclude with a brief about all the chapters as to what each chapter is conveying. In addition to that, at the end of each chapter, it would be beneficial to summarise the key points as reflected in each chapter. Further, it should also mention the areas where more research is required. This would help to develop the 2<sup>nd</sup> phase of the project.
- The conclusion chapter would become a part of the overview chapter and then we would not need the conclusion chapter.
- The report requires a lot of tightening up, language check, etc.

Follows a brief report of the proceedings with key outcomes:

## **1. Competition Regime and Widening Access**

- 1.1 Draft of the chapter is available at [http://www.cuts-international.org/doc/ICRRReport\\_Chapter1.doc](http://www.cuts-international.org/doc/ICRRReport_Chapter1.doc)
- 1.2 The chapter has been written to assess the impact of competition regime on widening access by discussing issues from the perspective of final consumers. The focus of analysis is relevant government policies and measures that condition the environment at the level of business (private as well as public) so that they deliver goods and services to satisfy the demand of final consumers. The chapter assess the situation in India with respect to certain attributes of competition that matter to final consumers.

- 1.3 Following comments/suggestions were made on the chapter:
- Competition led industrial growth has improved the supply of various goods and services in the market. However, we have to differentiate between supply and need and hence the question of availability, affordability and access becomes important. Competition regime has enhanced the access but it is skewed and unevenly distributed. Growth has to be accompanied with reduced disparity and more, dispersed benefits
  - 1991 onwards changes are to be highlighted in detail and some competition issues on the basis of other CUTS reports are to be included.

## 2. **The Agenda for Competition Policy and Law in India**

- 2.1 Draft of the chapter is available at [http://www.cuts-international.org/doc/ICRRReport\\_Chapter2.doc](http://www.cuts-international.org/doc/ICRRReport_Chapter2.doc)
- 2.2 The second chapter in on the agenda for competition policy and law. As we know CCI and Government of India, are receiving advices from various sources, to take full account of recent advances in IO Economics and other advances in economics and law that have been made in OECD countries. But CCI has to take care of special characteristics of the Indian Economy, as we are not similar to OECD economies.
- 2.3 Looking at the different special characteristics of the Indian economy and industry, the same policy and law cannot be applied to all types of industries. Thus we have to categorise the industries according to their characteristics for the implementation of competition policy/law. OECD models of competition regime cannot be adopted.
- 2.4 Following comments/suggestions were made on the chapter:
- What are the specific conditions of IO economics, which pose a special challenge for Competition Policy? It would be helpful to put down what are the factors of IO i.e. in terms of size, ownership (state or non state ownership), tradability or non-tradability etc. There is a need to clarify as to what apprehensions do the policy makers face at the time of designing a policy? There are concerns when we mention rural industries, as we are not clear as to what are the issues that we are reflecting when we talk about rural industries. Are we talking about protection of small industries or something else? There is a need to give the above-mentioned classification a deep thought.
  - The important point to be kept in mind is that it requires flexibility in application of policy across the sector and sub-sectors as well. It is the classical IO approach, i.e. one size does not fit all. Thus the policy implementer needs to understand that policy responses can be different, there can be flexible approaches, provided your goal and outcomes are clear in your mind. The same needs to be articulated properly.
  - It would be better to start the chapter by mentioning that the goal is to protect the consumer from abuse of market power and the same will not vary. In doing this, we have to differentiate first at the consumer end. In terms of IO, it is to be analysed as to how production is organised keeping in mind the following parameter i.e. size, family ownership, non-family ownership.
  - One issue that is coming out of the rural economy section, is the issue about agro processing, Reliance and other big firms getting into the retailing sector and how does it relate to the vendor farmers, where again one might have a situation where CCI may

need to make a judgment on a rule of reason approach, that if you have a sellers cartels and that is benefiting the farmers, then would you condone it or would you act on the basis of a complaint from a big firm?

- This particular chapter is trying to point out what are the areas that are still to be looked into more carefully when you apply the competition law. One may have to have a flexible approach as to what is given in the law. We need to gain a lot of knowledge and experience. We cannot gain this knowledge from any other country; it has to be India specific and homegrown.
- The point of flexibility is very important and the same has to be articulated properly. The categorisation needs to be done on basis of what are the different types of policy approaches that we are looking at? What are the characteristics, which will help to qualify under a particular policy approach? If we need to get into a categorisation, then the categorisation should not slot industries into groups, but set up parameters which when tested at different points of time, then the same industry could fall under different policies or within a industry different situations could fall under a different policy.
- There is a certain regulatory over kill in India. The Government has proposed to set up a regulatory authority for the warehouse industry, postal services, and at an earlier time there was a talk of setting up a steel regulator too. Regulatory bodies are being set up at the drop of a hat. There is no thinking process to evaluate the reasons for having a Central Regulator. It is a good idea to say that this flexibility means that you can't just have 'one size fits all' model.
- The focus of the entire chapter needs to be on competition and not reforms.

### 3. **Regulatory Issues in Transportation**

3.1 Draft of the chapter is available at

[http://www.cuts-international.org/doc/ICRRReport\\_Chapter3.doc](http://www.cuts-international.org/doc/ICRRReport_Chapter3.doc)

3.2 The said chapter discusses the challenges for competition and regulation in the transportation sector arising not from issues in entry or exit but in the manner in which micro-regulations leads to anticompetitive outcomes.

3.3 The road transportation sector is dominated by the private sector. Private sector share is more than 80% in freight and 50% in passenger traffic. Plus, being capital intensive, there is an automatic limit to the degree of competition, however transportation is not unique in this situation. In all capital-intensive industries there is a limitation on competition and generally the markets lead to an oligopolistic situation.

3.4 The transportation sector has conflicting jurisdictions. The road transportation is controlled by the State and the Central controls other form of transportation. In shipping and aviation, the industry is regulated internationally as well, which limits the role of the domestic enforcement/regulation, if the same firm services both the national and international markets. If the railways are best left as a monopoly, with only some common carrier obligations, what is left for the regulator to do, other than worry about safety and technology? The problem in the railway sector is that railways are performing a whole range of activities i.e. catering, schooling, medical and that has diverted the railways' attention from their core business of transportation.

Following comments/suggestions were made on the chapter:

- There is no linkage to capital-intensive nature of the sector and issue of competition. There is no substantial evidence that can link capital-intensive creating entry barriers. However, the problem can arise if the government puts a cap (For e.g. in the airline industry if you don't have Rs.1000 crore than you cannot enter the market, when with far lesser capital an airline can lease aircrafts). This regulation on capital requirement is an entry barrier. One must distinguish between capital intensive per se and the way in which the capital market operates or the way in which government regulation on capital adequacy operates to create entry barriers. Thus there is a need to address in this particular chapter, as to whether capital requirement is an entry barrier in the transportation sector.
- The main problem in road transportation is the free entry. One person with one truck can enter the market. Thus free entry that leads to a large number of players in the market is a problem. Free entry is a competition problem.
- The aspect of passenger transportation should also be included in the chapter. In the case of passenger transportation, the government policies are anti-competitive. In case of allocation of routes, the government gives the lucrative routes to government operators and not to the private players. The government policies are lopsided to favour the State Transport Authorities by giving them better time slots.
- When one talks about competition in the transportation sector, then we need to look at competition among the different modes of transport. For example, the impact of low cost airlines on the Indian Railways.
- The linkage between infrastructure and mode of transportation also needs to be reflected in the chapter.
- Open access is also becoming a major issue in the transportation sector. For example, use of ports between different shipping companies. Open access could be the key message coming out in the chapter.
- Transportation chapter completely overlooks the competition issues. The focus needs to be on competition and just not reforms. The focus is more on transport planning rather than competition management in the transportation sector.
- Developments in the port sector have not been addressed. Increasingly ports are being taken over and managed by shipping companies. These shipping companies are giving better access of the ports to their ships. Thus open access, equal treatment by all shipping companies needs to be regulated and at present the same is not being done. These issues have to be addressed.
- The chapter requires bare amount of work. To tackle this, it would be better to not look at sector wise i.e. railways, port, etc but look at issue wise i.e. access, quality, public and private sector and then plug in the examples of railways, ports, etc. This might solve much of the problem this chapter has. The angle that one needs to look at in this chapter is to look for what are the anticompetitive practices in the transport sector as such, rather than looking at fostering competition in each sector separately.
- There is a need to introduce competition in railways manufacturing unit i.e. manufacturing of rolling stock. To avoid one to one monopoly, it is necessary to introduce international competitive bidding. However, the problem is not of introducing competition in manufacturing units, because railways have already started the same. But the problem is that the railways are not taking enough orders. In the

shipping industries, there are competition concerns such as liner companies and liner conferences that have not been addressed at all.

- Inter-port competition does not exist: The inter port competition is not being created. Competition between ports is a different issue. Thus the statement needs to be revised accordingly.
- However, saying that “All future investments in ports should be left to the private sector” is completely wrong. There are several statements that are sweeping and they have to be re-examined. Thus two issues comes out in the transportation sector – way the capital market operates and whether they create entry barriers; second is the policy induced distortions i.e. allocation of routes between public and private operators. The transportation chapter requires lot of work to be done so that the focus is much more sharp on competition – quality of service also has to be looked into.

#### 4. **Competition Issues in Pharmaceuticals**

4.1 Draft of the chapter is available at

[http://www.cuts-international.org/doc/ICRRReport\\_Chapter4.doc](http://www.cuts-international.org/doc/ICRRReport_Chapter4.doc)

4.2 The chapter has been written against the background that the competition aspects of the pharmaceutical industry are very distinct from those in most markets. The very essentiality of the product being sold, namely medicines, is facilitative to distortion in competition in the pharmaceutical market. Consumption patterns in this industry are not affected by prices and therefore, firms do not have any incentive to keep prices low. Another issue is that the consumers are very often not the decision-makers. They are for the most part guided by advice (instructions) from their doctors and pharmacists. The significant role assumed by the doctors and pharmacists in influencing drug sales, leads to manipulation of the system. This vitiated guidance on the part of the doctor deprives patients from availing the best possible products at the lowest possible prices, which is a basic competition principle. In the western world, Government is the major buyer of medicines and Government being monopolist can regulate the price by bargaining with the manufacturers, as it happens in the UK for example. Even if not so consumer does not bear the burden of medicines as the Government provides these. In India, the situation is reverse as consumer pays for the medicine and bears the burden of price rise. Thus issues that are of major concern to this particular sector are the issue of regulating doctors, pharmacists and prices. The basic principle behind de-control was that market forces are best suited to stabilise the drug prices. However, the validity of this argument is suspect. Market forces do tend to be a leveler when it comes to prices in other industries, but given the high concentration in different therapeutic segments and low elasticity of demand in the pharmaceutical sector, market forces are usually not effective in controlling prices.

4.3 Pharmacy owners banded together to form a huge cartel: All India Organization of Chemists and Druggists (AIOCD). AIOCD forced some drug companies to sign "memorandums of understanding" to increase profit margins to pharmacies. Another concern is of spurious and sub-standard medicines and quality control of diagnostic centres. Doctor advise patients to go to a particular diagnostic centre to undertake various tests in the name of quality and there are cases when doctor send patients to more than one centre and get commissions (kick backs) from all the centres.

- 4.4 In health delivery system, there is no appropriate law or regulation to monitor the functioning of private hospitals and diagnostic labs except in few states. In India, it is quite unfortunate that opening a hospital is as easy as opening a grocery store.
- 4.5 In any normal good, there are no price controls at all. However, medicines are not normal goods. Firstly, because you as a consumer are not deciding what medicines you need to take, it's the doctors or the pharmacist deciding for you. Thus the issue of brand premium, the largest selling brand is commanding high prices, it is not because the consumers choose the medicine, it is happening because doctors receive incentives from those companies to recommend their medicines.
- 4.6 The insurance companies have their panel of hospitals and thus a patient can only go to those hospitals. The insurance companies must be having some tie-ups with the hospital companies.
- 4.7 In this sector, the consumer does not go and make a choice of medicine; it's the doctor who decides. The doctors, pharmacist and the pharmacies have joined hands together in promoting the anti-competitive practices in the sector. Partial defence has been suggested that the Medical Council lays down that every doctor needs to put down in the prescription the name of the generic drug too.
- 4.8 We tend to feel that there is high competition in the pharmaceutical market because of the presence of few thousand pharmaceutical companies in India. But when you go into the segments of the sector, the scenario is different.
- 4.9 The Competition Act cannot prevent the patent holder from exercising its monopoly rights. What it can do is that is to allow any IPR holder to exploit its IPR subject to reasonability, and also check if it is abusing its dominance. Under the MRTP act, there was a clear exclusion of IPR. On the other hand, there is a whole body of jurisprudence on treating IPR abuses under the window of abuse of dominance. Thus, if there is a patented life saving drug, thus under TRIPS you are allowed to issue compulsory licensing or invoke the CL provision provided there is a public order issue. Therefore to open up the boundary to decide who would be the best authority because in the case of India itself, the Competition Commission has the right to challenge the abuse of dominance. The Competition Commission is responsible for ensuring that there are healthy market practices, that there is fair play in the market and it has a link of IPR with abuse of dominance.

Following comments/suggestions were made on the chapter:

- The issue is that when you remove the drug price control over a certain medicine, then the medicine company increases the price of the said drug. This is not a competition problem. The existence of brand premium is not an anti-competitive feature in the market. The problem is more of tied selling issues in the market.
- There is a need to implement mandatory price negotiation for patented drugs. We already have that under the WTO commitment, because for all public health related issues we can issue compulsorily licensing.
- This chapter is focusing too much on the need for regulation, when most of the drugs, which are being manufactured, are not patented and therefore they are contestable in the market.
- There is asymmetrical information between the consumers. This needs to be reflected in the chapter.

- The chapter needs to focus on the following: action against spurious and sub-standard drugs, how much informed choice the consumer have, addressing substandard drugs, addressing that the consumer has information about generic drugs, price regulation of patented drugs.
- There is a need to address the full need of information on hospital performance. There should be regular information available on hospital performance. There is a need to increase access of information and reduce asymmetry of information.
- There is a need to create a drug prescription audit system through legislative route, which can assess prescriptions randomly to keep a check on irresponsible prescribing practices.
- There is a need to focus on areas where there are barriers to entry or barriers to contestability of markets, for example patented drugs regime, looking at our trade regulations and look at whether what are the issues that are preventing trade from becoming an element of contestability of markets.
- There is a need to look at industries in a flexible manner, where we even can have multiple regulatory regimes. There is no need of having one regime i.e. in one industry we can have multiple ways to achieve the core objective, which is consumer choice, protection and so on. The key issue is to see how contestable are the markets?
- The recommendation of giving CCI, the authority to grant compulsory license for patented drugs is not possible legally as the government grants the licenses, when a situation arises. However, the government should consult the CCI in such situations.

## 5. **Competition Issues and Business Welfare**

- 5.1 Draft of the chapter is available at [http://www.cuts-international.org/doc/ICRRReport\\_Chapter5.doc](http://www.cuts-international.org/doc/ICRRReport_Chapter5.doc)
- 5.2 The chapter has been written against the background that competition is necessary for the existence of firms. More than one firm can often do a number of things together to enhance value that a single firm cannot do alone. Competition is necessary for increasing productivity, adoption of new technology, improvement in business practices and enhancement of value by delivering more to buyers. Competition also increases value through improvement in factor markets (better trained work force and more efficient suppliers). It can also help firms garner resources from the environment through lobbying and joint action.
- 5.3 The chapter speaks about competition benefits for business, which include producer and sellers. It lays out the business welfare benefits.
- 5.4 In business one benefits from the action of the rival. For e.g. in telecom, if there is new entry into the market and if there are more players, a business firm as a competitor benefits. Because the value of a telephone connection that it provides, its value goes up. Thus in network industries, there are benefits from competition, and rivals benefit from competition because of the presence of externalities.
- 5.5 One way to explain competition benefits is that firms are also consumers, unless they are completely vertically integrated. The firms do buy some inputs or intermediate goods from other firms and then if such other firms indulge in anti-competitive behaviour, then the costs go up.

- 5.6 Competition is good for the business is proved by using externalities. Externality is something that through one's own action other people also benefit. For example, in case of production because of action taken by individual producers, for example in R&D, the other firms are also able to gain access to technology.
- 5.7 The real problem lies in entry and exit. One could argue that the possibility of entry makes the market contestable, that it would lead to lower prices being charged by players in the market and that could lead to problems. There is a need to look at entry and exit together. Entry is restricted either through government restrictions or because of capital market imperfections. If firms were not allowed to exit, then the inefficient firms would be allowed to operate, which would not benefit the market.

Following comments/suggestions were made on the chapter:

- It is a very valid point especially in growth industries, where you see that the incumbent, which is exposed to competition benefits. But we should not forget the point, that even in matured industries or industries, which are not growth industries you can see similar characteristics. For e.g. in Andhra Pradesh, in the power sector a state owned monopoly existed, which charged tariffs, which in certain segments were not competitive tariffs, they were much above the cost involved over their. However, they did that under the disguise that we have to cross subsidise other segments. Now in Andhra, the government opened up the sector for captive power in a big way and the incumbent resisted it. When they saw that there was certain amount of inevitability in the introduction of captive power, they started to drop the prices. They dropped prices significantly, 25-30% almost. But the result was completely paradoxical, they did not lose money but they started to make money. They were more competitive and the message went down the chain to everybody, which led to higher efficiency in their operation and marketing. Finally the captive power which was supposed to come down the line, never came up as because of the incumbent that was able to provide at much more competitive prices. And at the same time, the utility wiped out its losses. Thus, the message also needs to be reflected that mature industries can also benefit from competition, especially when we have a government-controlled monopoly, which is now being opened up for competition.
- There is a need to have box stories (such as the above case) and case studies in the paper. (Anish De of E&Y agreed to send a box story on the AP power sector, while PSM agreed to do a box story on the fight between ICMF and Reliance).
- The core issue here which needs to be reflected is, that it's possible to have an economic regime where you have many enterprises in cosy relationships with government and then you have to expect that a non-competitive environment, has to go hand in hand with a highly interventionist government with all the downside that comes along. So would one rather have that or have a regime with government being at arms length, and with markets being contestable with low entry and exit barriers.
- Two points need to be addressed i.e. if one really wants a competitive environment, then exit barriers have to be addressed as much as entry barriers. And in some ways, it is a pay off to business. That just as we dismantle an entry barrier and if we have a competitive regime, we would also be getting rid of an exit barrier. The downside of a non-competitive regime is that players remain stuck with uneconomic facilities.

- There is a need to address the small producer welfare protection, protection of artisans, agriculture. A small box story on the famous case of Nirma vs. Surf battling out in the detergents market would be useful.
- There is also need to address about the entry preventing behaviour by companies, which may not always take the form of classical example of dominance. It may take the form of, getting some right tax change through the finance ministry in order to create a competitive market for oneself. The challenge of policy is also to create an environment, where competition is present across sectors.

## 6. Competition Regime and Consumer Welfare

- 6.1 Draft of the chapter is available at [http://www.cuts-international.org/doc/ICRRReport\\_Chapter6.doc](http://www.cuts-international.org/doc/ICRRReport_Chapter6.doc)
- 6.2 India embarked on the path of economic reforms in early 1990s by shifting to market-driven economic policies. The thrust of economic reforms has been to allow for more competition resulting in best possible choice of quality, lowest prices and adequate supplies to consumers and business. The chapter has been written against this background and seeks to carry out a consumer impact assessment of competition regime (comprising of competition policy & law; other government policy/measures; and sectoral regulatory measures) prevailing in India.
- 6.3 Impact of competition regime in India is assessed against the eight consumer rights that emerge from the United Nations Guidelines for Consumer Protection. For the purpose of analysis, these eight rights have been put under three broad categories or rights clusters: namely Access, Quality and Participation. Right to basic needs and choice constitute the principal elements of the *Access* cluster. The chapter looks at impact of competition regime on availability of food (in particular operation of food subsidy), healthcare (drug prices and control instruments), electricity, education and transportation. Competition regime does have an impact on some of these. Nevertheless, it is realised that ‘Competition Regime’ is but one of the tools that can help in ensuring right to basic needs.
- 6.4 Taking access, the focus was divided into three main sectors i.e. food, utility and social infrastructure. In utilities, transportation and electricity sector and under social infrastructure, we considered health, education and food. So we considered how competition affected all these sectors.
- 6.5 Competition through its effect on standards can have a positive influence on *Quality*. The role of Bureau of Indian Standards and other government measures (e.g. Food Safety and Standards Act) is examined. One lacuna in the system is that the regulatory authorities laying down standards do not have the teeth to implement the same and penalise offenders for non-compliance. A related problem is the low level of consumer awareness, which means there is not enough demand-pull to make push the industry to implement quality standards.
- 6.6 One of the main findings in quality was that competition could improve quality. However, the Indian public is not much aware about quality standards, they are more concerned about price issues. So business usually focuses on price competition than quality competition.

- 6.7 One of the findings in consumer participation, we found that the role of MRTPC was not impressive and the CCI has a greater potential to improve. The redressal system was slow under MRTPC.
- 6.8 A systematic methodology to carry out consumer impact assessment is developed and applied to the telecommunications sector. The sector has witnessed unprecedented growth, tariffs have fallen rapidly and number of mobile telephones has overtaken fixed line connections. The uniqueness of this sector both in terms of growth, constant technology up gradation, involvement of private players and importance to consumer (urban and rural alike) warrants a deeper study from consumer perspective. The chapter assesses the impact of regulation in telecom sector from consumer perspective.

Following comments/suggestions were made on the chapter:

- The findings of the education sector were sketchy. There are couple of short paragraphs on education without much illustration of the same. This needs to be elaborated.  
There are parameters for implementing CIA and thus it would be useful to see as to whether all the said parameters have been analysed or not. There is a lot of data available in the chapter but not much of analysis has been undertaken on the data.
- There is a need to also undertake analysis as to whether increase in competition has lead to decrease in quality.
- Both these chapters i.e. Consumer and Business Welfare should come just after the introduction chapter. Because, the other chapters do reflect cases which delve into issues of consumer or business welfare. There is a need to re-arrange the layout of the chapters as the connectivity between chapters is missing.
- In the said chapter, it is mentioned that the consumer is not aware of the consumer aspects of the product; such comments should be made cautiously.
- There is a need to analyse as to whether the regulators setting quality standards are checking as to whether the service providers are adopting those norms or not?

## 7. **India Competition Perception Index**

- 7.1 Survey results are available at:  
[http://www.cuts-international.org/doc/ICRRReport\\_Chapter7.doc](http://www.cuts-international.org/doc/ICRRReport_Chapter7.doc)
- 7.2 The index seeks to gauge perception of ‘informed’ stakeholders on competition and regulation scenario prevailing in the country. A questionnaire was prepared targeting five broad stakeholder groups: government officials, business representatives, CSOs, academia, and media. The idea was to get feedback from the group of informed stakeholder who has a fair idea of competition and regulation scenario. The questionnaire sought to assess perception of stakeholders on: awareness and knowledge on regulatory and competition issues; level of competition and nature of practices prevailing in the market; and impact of government policies, measures on competition. The target was to get a total of about 500 responses and it was informed that 600+ responses have been received.
- 7.3 On a scale of 0 to 100, the overall competition perception index returns a score of 54.75. This implies that the perception on competition in the country, from a carefully

selected targeted group of informed people, is neither too good nor too bad it is fair. There is certainly a room for improvement

- 7.4 At a disaggregated level, the perception score on ‘nature of market practices (35.74)’ and ‘knowledge /awareness (39.14)’ are lower than the score on other parameters. On the other hand, perception on ‘level of competition in the market (59.08)’ is relatively higher.
- 7.5 A key message that emerges is, awareness/knowledge on competition/regulation issues in the country is not satisfactory.

Following comments/suggestions were made on the chapter:

- There is a need to attach the questionnaire in the said chapter.
  - As the awareness level as shown in the index is low, then it is difficult to show the level of effectiveness.
8. Discussion on the IInd Cycle:
- 8.1 PSM gave a brief about the IInd cycle of the project. He mentioned that as an outreach activity, we would be coming out with Policy Briefs, which would also be utilised in the Parliamentary Forum on Economic Policy Issues (Par-fore) Meetings.
- 8.2 He suggested that we could undertake CIA of the power sector in the IInd cycle.
- 8.3 Given below are certain sectors as suggested for the IInd cycle:
- Reform of agricultural markets system
  - Linking Competition Policy with other policies such as export policy, fiscal policy, etc
  - Education Sector
  - Real Estate
- 8.4 To conclude the discussion, it was informed to all the participants that the final report would be released at a National Seminar to be held during the months of June or July’07.

### List of Participants

Nitin Desai (*in chair*)  
Amirullah Khan (IDF)  
Augustine Peter (CCI)  
Anish De (E&Y)  
Dr. V.V.Singh (CUTS)  
G C Mathur (BINTY)  
Manish Agarwal (KPMG)  
M K Chaudhuri (J.SAGAR)  
Madhumita Gupta (USAID)  
Nitya Nanda (TERI)  
Paranjoy Guha Thakurta (ISC)  
Partha Mukhopadhyay

P S Mehta (CUTS)  
Rajat Chaudhuri (SI)  
Rajat Kathuria (IMI)  
Reena George (LAWYER)  
Subhashish Gupta (IIM, B)  
S. Sundar (TERI)  
Surendra Kanstiya (CGSI)  
Shrawan Nigam (PLANNING COM)  
Shubhabrata Bhattacharya (HLL)  
Udai Mehta (CUTS)