

## ***Core Principles in Economic Regulation and Competition Economics***

17 – 19 March 2015

### **COURSE OUTLINE**

#### **1<sup>st</sup> ANNUAL COMPETITION AND ECONOMIC REGULATION (ACER) WEEK, SOUTHERN AFRICA**

This Short Learning Programme provides an introduction to economic regulation and competition economics, highlighting core principles and key concepts as well as the interface between competition and economic regulation. The course will cover in detail the appropriate tests, evidence and assessment needed to analyse specific competition and regulatory matters.

The course will be led by experienced experts in the field who have directly participated in competition and regulation cases at the highest level across a number of countries.

#### ***Approach***

The course is oriented to the practical application of insights from theory and analysis. It also provides a forum for participants, from competition authorities and economic regulators, to share their own experiences.

The lectures will cover the key theoretical underpinnings in an accessible way with illustrations as to how the theories are applied in practice. Reference will be made to precedent-setting cases in different jurisdictions so that participants will have a good grasp of the important decisions, as well as why they may differ across regions.

An important component of the course is the case study exercises, where key principles and tests are explored through a selection of competition and regulatory cases. The case studies will be of two kinds: discussion exercises to highlight key debates; and, in-depth case studies, with longer presentations by groups, on which facilitators will give feedback.

The longer case study exercises will involve work in groups or breakaways. Participants will apply lessons learnt during the sessions and the hypothetical cases will be debated from the perspective of different stakeholders in the feedback sessions.

The course will draw on examples and cases from the SADC region. The case study exercises are based on actual cases, mainly from jurisdictions in Southern and East Africa.

Selected key readings will be provided in advance of the sessions.



COMPETITION AND TARIFF COMMISSION



## Programme

Day 1, 17 March 2015	
0830	<b>Registration</b>
0845-1030	<b>Introduction to competition policy and economic regulation</b> <ul style="list-style-type: none"> <li>• The natural monopoly problem and market power</li> <li>• Externalities and market failures</li> <li>• Assessing the private and social returns from investment</li> <li>• Why is there a need for competition policy and economic regulation?</li> <li>• Link between regulation, competition, industrial policy and inclusive growth</li> </ul>
Tea break	
1100-1230	<b>Core concepts in competition and regulatory economics</b> <ul style="list-style-type: none"> <li>• Market definition, market structure and market power</li> <li>• Barriers to entry</li> <li>• Introduction to coordination</li> <li>• How to identify collusion and assess its harm to the economy</li> <li>• Lessons from key cases including construction &amp; food across southern Africa</li> </ul>
Lunch break	
1330-1500	<b>Exercises 1: Short hypothetical case studies based on actual competition cases</b> <ul style="list-style-type: none"> <li>• Market definition and market power</li> <li>• Entrenched dominant firms and natural monopolies</li> <li>• Regulatory objectives such as stability, security of supply</li> <li>• Regulation and co-ordination</li> </ul>
Tea break	
1515-1630	<b>Exercises: Presentations and discussion</b>

Day 2, 18 March 2015	
0830-1030	<b>Merger analysis</b> <ul style="list-style-type: none"> <li>• Types of mergers</li> <li>• Possible anti-competitive effects (economic theories of harm)</li> <li>• Analytical framework to assess mergers</li> <li>• Efficiency justifications</li> <li>• Introduction to evaluation of vertical mergers</li> <li>• Public interest criteria</li> </ul>
Tea break	
1100-1230	<b>Key principles of regulatory economics</b> <ul style="list-style-type: none"> <li>• Key competition and regulatory decisions and application of economic principles in energy, banking, telecoms, transport and network industries</li> <li>• Entry, access and vertical integration</li> <li>• Creating rivalry while incentivising investment</li> <li>• Licencing and universal service</li> <li>• Investment, growth and the structure of the economy</li> <li>• Auctions, investment incentives (renewable energy)</li> </ul>
Lunch break	
1330-1500	<b>Exercise 2: Merger evaluations in retail, energy, transport</b> <ul style="list-style-type: none"> <li>• Assessing potential anticompetitive effects given stylised fact patterns</li> <li>• Economic analysis of data to draw conclusions on likely lessening of competition</li> <li>• Crafting appropriate regulatory remedies</li> </ul>
Tea break	
1515-1630	<b>Exercise 2: Presentations and discussions</b>



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Day 3, 19 March 2015	
0830-1030	<b>Different means of regulating prices and returns</b> <ul style="list-style-type: none"> <li>• Rate of return, price cap, yardstick competition and bench-marking, Ramsey pricing</li> <li>• Structure of prices</li> <li>• Vertical separation and regulation of prices</li> <li>• Taking externalities into account</li> <li>• Why and how to provide subsidies</li> </ul>
Tea break	
1100-1230	<b>Substantial market power and abuse thereof</b> <ul style="list-style-type: none"> <li>• Introduction to abuse of dominance</li> <li>• Exploitative and Exclusionary abuses (understanding different types of conduct: Margin squeeze; Refusal to supply; Discrimination; Tying &amp; Bundling; Predation)</li> <li>• Undermining rivalry at different levels, and by a vertically integrated incumbent</li> </ul>
Lunch break	
1330-1500	<b>Exercise 3: Telecommunications case: exclusionary conduct and regulation</b>
Tea break	
1515-1630	<b>Exercise 3: Presentations and discussion</b>
1630- 1645	<b>Closure and presentation of certificates</b>