

Staying Afloat in Turbulent Times; the Importance of Competition Policy¹

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Good afternoon and thank you for having me here today to be among such esteemed persons as yourselves. Specifically, I also thank Rotarian Mr. Courtney Lawes for extending the invitation to us (the FTC); and for providing us with this platform from which to speak. I will share with you some of the benefits which firms can enjoy when they operate in highly competitive markets – markets that are governed by effective rules that ensure fair play. I will also talk about the role the FTC plays in ensuring this fair play.

To quote Neelie Kroes, European Commissioner for Competition Policy, “*Competition encourages the innovations that create jobs. It keeps a lid on prices. It reminds us that we have to work hard if we want to succeed*”.

Last weekend I had the pleasure of visiting St. Lucia to support our Juniors in the annual CARIFTA Track & Field Games (and for sure, they continue to make us as Jamaicans very proud). I also had the opportunity and pleasure of experiencing the high quality tourism product that the St. Lucians are offering to the world. Incidentally, while I was there, there was a program on television regarding the recently held Berlin Tourism Trade Show. The part that I saw highlighted clips of interviews with the respective Ministers of Government for Jamaica, the Bahamas, Aruba and Grenada – all of whom expressed optimism in promoting their respective tourism product even in these tough economic times.

¹ This speech was delivered at the Rotary Club of Kingston weekly luncheon at the Jamaica Pegasus Hotel on April 16, 2009.

* The views expressed are mine; and do not necessarily reflect those of the Commissioners.

Our Minister of Tourism, the Hon. Edmund Bartlett stated that for the 1st quarter of 2009, arrivals were up 4% over the equivalent period last year; and the Minister from Aruba stated that for the previous year arrivals in Aruba had grown by 7% and his target for this current year is for growth of at least another 7%.

What we have here are Caribbean countries competing aggressively in the international market for tourists and pushing their products by finding new ways, coming up with new ideas, highlighting different aspects of their product, differentiating their product, in order to 'win' customers.

They are marketing their product in a way to give customers what they want; while at the same time growing their businesses and most importantly improving their own bottom line.

I must point out the key theme in all of this, i.e. competing; or competition.

This type of aggressive competition has been going on in the international and regional arenas in most sectors and it ought to exist right here in Jamaica at a much more significant level in our own country because we as consumers (whether final consumers or businesses purchasing inputs), now more than ever, have even more reduced purchasing power and are being challenged daily, to get the 'best bang for our buck'.

For example, this blackberry instrument that I now carry. I had heard of it and had seen its usefulness from as far back as 3 years ago when I visited China; and I think it was brought to Jamaica maybe about 2 years ago; but I could never afford it even though I recognized its usefulness. I thought it was much too pricey.

I am one of those persons who can wait to get to my office or to get home to check my e-mail or surf the internet; and further I always asked myself, do I really need a phone with a camera, video recorder, music and other similar features? But based on the intensity of the competition in our telecommunications sector, these highly sophisticated instruments are now much more affordable.

For me, instead of paying \$1,400 per month for mobile phone service, I now have blackberry service in addition to my regular service for \$2,400 per month. That is an example of giving customers what they want and at the same time the firm realizing its goal of increased profitability.

It's a win-win for both of us. The firm has extracted an additional \$1,000 from me; which I really have not 'felt'.

Many enterprises may believe that in order to do this, to have this 'new' thinking in these times, in order to grow their business or even maintain business at current levels, they need some sort of assistance from the Government, whether it be a tax break of some sort, a subsidy, or even an injection of capital.

In many jurisdictions this is referred to as State Aid. Of note is that all these forms of State Aid and Stimulus packages have to be approved by the respective Competition Agencies, and in the case of the EU, with the many cross border issues and overlapping markets, State Aid is approved by the EU Competition Commission.

The reasons for this approval process are to ensure:

- a. that the competition process is protected;
- b. that Governments do not protect inefficient or underperforming firms, firms that may have folded regardless of the economic challenges that are being faced;

The process also ensures that:

- c. there is robust enforcement of competition laws;
- d. most significantly, stimulus packages will effectively lead to a revival of the respective economies.

We, the FTC, work closely with other Government Ministries and Agencies, and especially in these times of limited resources there is a need to work even more closely with each other, to create synergies, in order to ensure that our varying objectives are met.

Importantly, the FTC needs to ensure that:

- relevant policies are not more restrictive than what is needed;
- sectors are open to competition, whether from local or overseas based players;

- no player or potential player is given an unfair competitive advantage;
- firms are not protected at the expense of consumers or improvements to consumer welfare;

In short, we need to ensure that all players operate on the same playing field, which will ultimately lead to increased profitability.

Closer to home, I share my experience with you on some marketing campaigns of local financial institutions. Since January of this year, no less than 6 financial institutions have approached our Staff soliciting ‘additional’ business and offering financial advice. In keeping with our general mode of listening to the public, listening to firms, learning more about our markets, we gladly welcomed them into our Office. Our Staff is small, just 15 persons; so I assume that these efforts are being made to all sizes firms and Government Agencies.

And I say it is interesting because in my almost 8 years at the Commission, maybe just 2 banks had approached us with similar intentions. But of more interest to us at the FTC is that all but one financial institution offered us the same or similar type of facility. So while there seems to be increased marketing and increased efforts, there does not appear to be much product differentiation.

And so, the questions that my Staff and I asked were “Where is the differentiation in product or service?”; “What real benefit do I get from accepting one of these so called ‘new’ proposals?”; “If there is no real new benefit, why shouldn’t I stick with my existing arrangement?”

While we recognize and appreciate the increased efforts by the financial institutions to improve our livelihood, there seems to be need for more innovative products, the fresh ideas that will strengthen and stimulate competition in the market.

In the context of the reasons which I gave earlier for Competition Agencies to review State Aid packages and in our role to guide policy makers, if for example, the Government were to make available cheaper loans to stimulate growth, we ought to ensure that the benefits are not absorbed by the financial institutions, but filter down through all levels from the banks to firms, to ultimately reach the consumer through the competitive process; a principle which should be applied to most if not all sectors – whether it be agriculture, petroleum, motor vehicle or health care.

Many of you function in an arena in which you compete with each other, with firms from within our region, and in many instances, with firms from outside our region; and it is essential, and I dare say even crucial to recognize that there are huge benefits to be gained from operating in accordance with the rules of Competition from a domestic, regional and international context. Competition is critically important in good times. It is critically important in not so good times, to ensure economic recovery and economic growth. And I think we all accept that with economic growth come many more business opportunities.

To quote Magic Johnson: *“Research your idea. See if there's a demand. A lot of people have great ideas, but they don't know if there's a need for it. You also have to research your competition.”* And for us at the FAIR TRADING COMMISSION we have to keep abreast of what businesses are doing.

I hope I have provided you with a useful tool in engaging in your future business activities.

On another note, we at the Commission take a comprehensive approach to our public education mandate and we take the view that we are never too young or too old to learn about concepts like fair play, stimulating new ideas, and exercising our right to choice.

To this end, we have created and published a Children's book on Competition – a book which illustrates and translates the benefits of competition into words that children can readily understand in the form of stories.

I understand that you have an Early Act Project under your leadership initiative and we would be happy if you would accept from us a few copies for your Project.

Again, I thank you for having me here today and for giving me the opportunity to share in the friendship and camaraderie that I see you all enjoy. Good Afternoon.