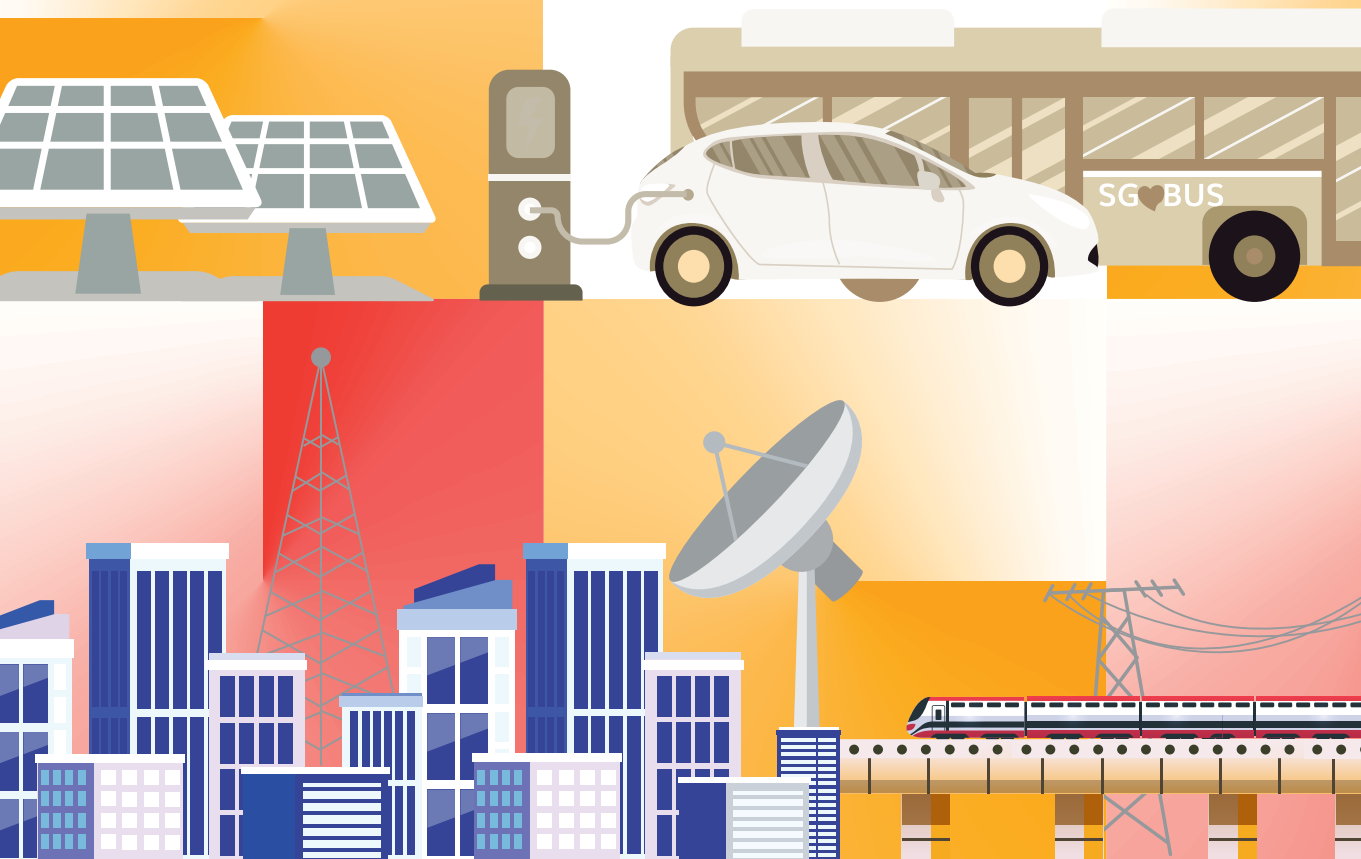




COMPETITION & CONSUMER  
COMMISSION | SINGAPORE



# COMPETITION ACT AND GOVERNMENT AGENCIES





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## BENEFITS OF COMPETITION

Competition contributes to the well-functioning of markets. With competition, businesses are incentivised to become more efficient, which in turn allows them to charge lower prices for their products and services. Businesses are also incentivised to innovate to improve the quality and range of their offerings that cater to the evolving tastes and different preferences of their customers. As a result, consumers enjoy competitive prices, more choices and higher quality products and services. The entry and exit of businesses as a result of competition also ensures that the most efficient and dynamic businesses remain in the market and they have the capability and resources to expand, innovate and seize opportunities. In the longer term, competition leads to an increase in productivity, ensures the economy remains competitive and supports sustainable economic growth.



# HOW GOVERNMENT PARTICIPATION IN MARKETS IMPACT COMPETITION?

There are instances where the market mechanism does not provide the necessary goods and services, or does not provide them in the “right” quantities, and it may be necessary for government to participate in markets. Government participation in market can take different forms, depending on the rationale for the intervention and the particular characteristics of the markets affected. It is also inevitable that they impact competition in the affected markets.

## TYPE OF GOVERNMENT PARTICIPATION IN MARKETS

### GOVERNMENT AS SELLER

#### REASONS

- To provide essential public goods and services, e.g. public utilities.
- To directly participate in industries at an early stage of development to provide essential infrastructure and spur economic growth.

#### IMPACT

- This may crowd out private sector competitors that are willing to provide the same public goods and services.
- Subsequent divestment of government-owned companies or assets to the private sector may affect the market structure of the industry concerned, such as creating a private monopoly, leading to less competitive outcome.

### GOVERNMENT AS BUYER

#### REASON

- To acquire inputs for providing essential public goods or services, e.g. public utilities, public housing.

#### IMPACT

- The structure of government tender and the specifications may affect the ability of suppliers to participate due to manpower, financial or technical requirements. For example, tenders that unnecessarily require the use of specific technology may restrict the participation of companies which may otherwise be able to provide a comparable service or product using different technologies. This may limit the ability of market players offering competing technologies to expand and in turn discourage further entry into the market.
- The design of government tender also plays an important role in mitigating the risk of bid-rigging. For example, a tender that is designed to allow many potential bidders to participate will make it more difficult for companies to collude on their bids. Request for detailed bids (e.g. itemised prices) will allow for greater scrutiny of the bids to understand the price variations.

## TYPE OF GOVERNMENT PARTICIPATION IN MARKETS

### GOVERNMENT REGULATION

#### REASONS

- To protect public safety, e.g. workplace health and safety regulations, or consumer protection through product safety standards.
- To achieve socioeconomic policy objectives, e.g. ensuring affordability of essential goods and services through price regulation.

#### IMPACT

- Issuance of licences or setting service standards may raise entry barriers, reduce the number of competing options available to consumers, and reduce competitive pressure on incumbents.
- Price controls may restrict or reduce incentive for sellers to compete on pricing and may also result in under-provision of goods and services in the long run due to cut back in the necessary investment.

### TAXES AND SUBSIDIES

#### REASONS

- To provide government with revenue to perform public duties and provide public goods and services.
- To modify business/consumer behaviour, e.g. to encourage investments in technology, to reduce congestion and pollution, to discourage smoking.

#### IMPACT

- Taxes targeted at specific products or services may unwittingly create an uneven playing field by channelling consumers towards substitutes that are not subject to tax.
- Inefficient businesses that would have exited the market under competitive conditions may be “sponsored” by subsidies to remain in the market as they do not face competitive discipline to improve and innovate.



## COMPETITION ASSESSMENT OF GOVERNMENT INITIATIVES

Government initiatives (be it in the form of policies, subsidy programmes, regulations, etc.) are often important for promoting and protecting public policy or interest. However, some government initiatives can have a substantial impact on competition. Although the prohibitions in the Competition Act do not apply to activities, agreements or conduct of the government, any statutory body or any person acting on their behalf, government agencies are strongly encouraged to assess the impact of their initiatives on competition in the affected markets during the early part of their internal process and consider alternative options to reduce any adverse impact on market competition.

To assist government agencies to understand the competition impact of their initiatives, the Competition and Consumer Commission of Singapore (“CCS”) has published on its website a Toolkit titled “**Government and Competition: a Toolkit for Government Agencies**” and the “**Competition Impact Assessment Checklist**”.



As a first step, government agencies are encouraged to undertake a quick self-assessment using the **Competition Impact Assessment Checklist** set out on the next page. If the answer is ‘yes’ to any of the questions, government agencies should proceed to perform a thorough competition impact assessment using the principles in **Government and Competition: Toolkit for Government Agencies**. Government agencies can also seek CCS’s advice with regard to the competition impact of their initiatives.



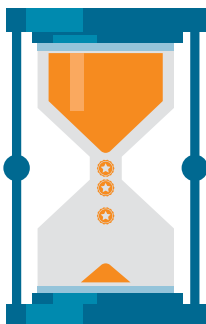
## COMPETITION IMPACT ASSESSMENT CHECKLIST

In affected markets identified, does the proposed initiative:



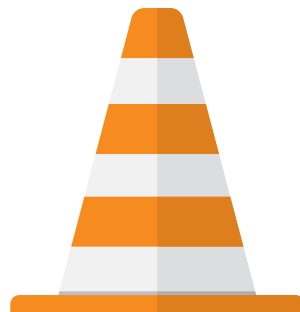
For example, does the proposed initiative:

- Grant exclusive rights to a seller for the provision of a product (for example, divestment of government-owned assets)?
- Involve procurement from a single or restricted group of sellers?
- Create a form of licensing scheme for sellers?
- Significantly raise the cost of entry or exit for a seller?



For example, does the proposed initiative:

- Control or substantially influence product price, quality or choice, for example,
  - Issue a schedule to standardise product price, quality or choice across sellers?
  - Set product or quality standards that
    - (i) advantage some sellers over others, or
    - (ii) are unnecessarily high relative to consumers' needs?
  - Limit ability of sellers to introduce new products or supply existing products in new ways?
  - Limit the geographic area in which a seller can operate or types of customers it can serve?
- Limit the freedom to advertise or market products?
- Raise the costs of some sellers relative to others?





For example, does the proposed initiative:

- Facilitate market players to set rules or engage in practices that reduce the need for them to compete under the pretext of self-regulation?
- Require or encourage the exchange of commercially sensitive information between sellers (for example, prices, output, sales or cost) which may facilitate collusion?
- Facilitate the sharing of resources between sellers that constitute a key cost component of their businesses?
- Restrict the ability of sellers to grow the size of their business?



For example, does the proposed initiative:

- Limit the ability of consumers to decide which seller to purchase from?
- Increase the cost (or inconvenience) of switching sellers for consumers?
- Reduce or limit information important for consumers to make purchase decisions effectively?



## SEEKING COMPETITION ADVICE FROM CCS

It is CCS's statutory duty to advise government agencies on national needs and policies in respect of competition matters. CCS has advised on a wide range of competition issues, including the impact of specific government initiatives on competition in the affected markets, the structure of public procurement to encourage greater competition between suppliers, the supply of goods and services by the government, and government divestments.

A sample of CCS's past advice to government agencies can be found on CCS's website, [www.ccs.gov.sg](http://www.ccs.gov.sg).



CCS's assessment will discuss the impact of the proposed initiative on competition in the affected market(s), and where possible, identify ways to alleviate these competition concerns. The government agencies will then be able to weigh CCS's advice on competition issues against any other relevant considerations in the process of formulating their initiative.

Government agencies are encouraged to approach CCS early during the formulation of their initiatives so that CCS can provide its advice in a timely manner. In turn, government agencies can adequately evaluate the impact of the competition concerns and explore alternative policy options if necessary.

### APPROACH CCS FOR ASSISTANCE



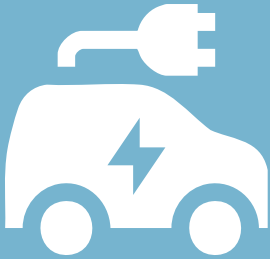
Government agencies that wish to seek CCS's advice on competition issues can provide the required information using the **Information Template** found on CCS's website, [www.ccs.gov.sg](http://www.ccs.gov.sg) and email their request to the **Government Advocacy and Markets Division** at [ccs-gam@ccs.gov.sg](mailto:ccs-gam@ccs.gov.sg).

### PROVIDING INFORMATION TO CCS



CCS will keep the advisory process confidential and will not request information from, or consult with, third parties unless it has the consent of the requesting government agency to seek feedback from third parties. The relevance and usefulness of CCS's inputs will therefore depend critically on the quality of the information provided by the requesting government agency.

## #1: ADVICE TO URA ON ELECTRIC VEHICLE (EV) CHARGING INFRASTRUCTURE



With Singapore's vision to phase out internal combustion engine vehicles and have all vehicles run on cleaner energy by 2040, the development of charging infrastructure has become an area of interest.

In this regard, the Urban Redevelopment Authority (URA) consulted CCS on the design of its competitive pilot tenders for EV charging deployment in public car parks and the creation of a more competitive environment for EV charging services in private car parks.

To this end, CCS provided guidance on how to design a competitive tender for EV charging services in public car parks, including suggestions on how to (i) ensure sufficiently-sized car park bundles; (ii) provide sufficient information to tenderers; (iii) prevent EV charging operators from using market power to charge high prices; and (iv) carry out good practices to deter bid rigging. CCS also provided advice on how to intensify competition for the supply of EV charging services in private car parks by encouraging commercial building owners to carry out competitive tendering processes and the implications of interoperability standards requirements.

## #2: ADVICE TO NEA ON BEVERAGE CONTAINER RETURN SCHEME



The National Environment Agency (NEA) consulted CCS on its plans to implement a new beverage container return scheme in Singapore. Under this scheme, consumers will pay a deposit when they purchase beverages, and this deposit will be refunded when the empty beverage container is returned at specified points.

CCS considered the competition impact of NEA's plans and provided recommendations on how NEA can mitigate potential competition concerns. Examples include advising NEA to regularly review the parameters of the scheme framework to ensure that it does not unnecessarily restrict competition, and to consider putting in place safeguards to prevent the exchange of commercially sensitive information between industry players. Additionally, CCS recommended that NEA regularly review target(s) set (e.g. recycling) and compliance costs to adapt to changing market conditions, and to ensure that the regulations remain relevant to the industry.

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## COMPETITION AND CONSUMER REGULATORS COMMUNITY

The Competition and Consumer Regulators Community (C2RC) serves as an inter-agency platform for government agencies to learn about latest market developments and share best practices and experiences on competition, consumer protection and regulatory issues.

C2RC facilitates regular activities, which include:



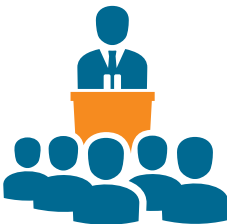
**Masterclass** – An annual flagship event to equip Singapore public officers with knowledge and practical tools to address on competition and consumer protection issues.

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**Regulators' Tea** – C2RC brings together high-level representatives from C2RC agencies to discuss latest or emerging competition, consumer protection and regulatory issues facing Singapore.

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**Seminars** – For agencies to share their experiences on competition, consumer protection and regulatory issues facing Singapore.

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Past activities have gathered the support and participation of officers across the government, especially from the following agencies:

- Civil Aviation Authority of Singapore (CAAS)
- Civil Service College (CSC)
- Energy Market Authority (EMA)
- Infocomm Media Development Authority of Singapore (IMDA)
- Land Transport Authority (LTA)
- Monetary Authority of Singapore (MAS)
- Maritime and Port Authority of Singapore (MPA)
- Ministry of Trade and Industry (MTI)
- Public Service Division (PSD)
- Singapore Police Force (SPF)
- Singapore Tourism Board (STB)
- Ministry of Transport (MOT)

If you are a public officer whose work relates to competition, consumer protection or regulatory matters, you are invited to join us. Drop us an email at [ccs-gam@ccs.gov.sg](mailto:ccs-gam@ccs.gov.sg) to be added to the C2RC Teams channels, where you will learn practical tools, stay up to date with upcoming events and receive news on competition and consumer protection matters in Singapore.



## WHAT ARE THE OTHER SERVICES THAT CCS PROVIDES FOR GOVERNMENT AGENCIES?

CCS conducts regular presentations on the Competition Act and training sessions on specific areas of interest such as bid-rigging detection and prevention. CCS also collaborates with government agencies to study specific markets with possible competition concerns, and research on competition-related topics.

Government agencies with specific needs or areas of interest can contact CCS and direct their request to the **Government Advocacy and Markets Division** at [ccs-gam@ccs.gov.sg](mailto:ccs-gam@ccs.gov.sg).







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