

Conference Goals and Organization

Introduction

Before we start with the program, I would like to take a few minutes to analyze the topics that we will be covering and also to look at what's ahead for us in these two days.

During the last decade, most Latin American and Caribbean countries have accumulated extensive experience in the privatization of infrastructure services and in the institutional and regulatory reforms essential to foster a suitable environment for private investment. The Inter-American Development Bank has actively promoted infrastructure reform in Latin America. After more than a decade of reforms, it is time to re-think these processes.

Why a Conference on Competition Policy

The building blocks of the reforms were private participation to increase internal efficiency and regulation and competition to increase consumer welfare

The reforms have succeeded in fostering private participation. Due to the reforms, Latin-American countries were able to attract private participation to infrastructure sectors like telecommunications, transportation, energy, and potable water and sewerage. Private participation in infrastructure has reduced public deficits and introduced new technologies. In addition of efficiency improvements, private sector has extended infrastructure services to more consumers.

However, these reforms seem less successful in promoting effective competition in infrastructure sectors, which is the other building block of the reforms. Complaints from authorities and consumers about lack of effective competition and the identification of indicators showing weak competition in the region's infrastructure sectors are the driving forces of this conference.

Indicators of Weak Competition

I will not refer here to complaints from consumers and authorities, since they can be found in country's newspapers and magazines. Reports of complaints are particularly numerous after a merger between infrastructure companies takes place.

Regarding indicators, it can be easily shown that a high degree of vertical and horizontal concentration pervades the industrial structure of many infrastructure sectors in the region. In addition to industrial concentration, the range of symptoms showing lack of effective competition is wide. For instance, price distortions in the form of prices well above average and marginal costs are common features in some infrastructure services

such as telecommunications. At the same time, cross subsidies are destroying some infrastructure markets because overpriced consumers abandon the regulated firm or force the exclusion of under-priced consumers. Other warning signs reflecting poor competition are: state aids to public enterprises, discriminatory treatment to customers and lack of consumer freedom to choose suppliers.

Goals of the Conference

The primary goal of this conference is to build a consensus in the understanding of some of the flaws that affect reforms with respect to the introduction of competition in infrastructure sectors, and how to approach the challenges ahead. To this end, we believe that we should be able to reach some sort of agreement on a few key questions:

- Which are the appropriate regulations to address competition in infrastructure services?
- When does a country have a competition problem ?
- How should a country modify its competition and sector regulatory framework ?
- Which type of competition policy does the increasing regional globalization demand?
- How should the role of competition and regulatory agencies be enhanced?.

Conference Organization

During these two days we will be addressing some competition problems that occurred since the process started. In order to do that, we will be focussing on the experiences that have been in place the longest. We will also be talking about the role of competition regulations in dealing with competition problems in infrastructure sectors. The conference will be organized in five sessions and a round table. I will not repeat the agenda here but I would like to share some ideas about it.

First of all , we would like to point out that although we expect all sessions to give us different leads to answer our five key questions, each session was designed to deal with one specific question. Therefore, I would like t participants to make an effort to focuss on the corresponding question during each session.

The first session is meant to deal with the following question : *Which are the regulations to address competition in infrastructure services?* During this session, four competition specialists will present different aspects that should be considered in competition laws so that the special features of infrastructure sectors are taken into account.

The second session should help to identify competition problems in infrastructure sectors. Examples of poor competition in infrastructure sectors will be analyzed. Three factors seem to be at the root of competition problems: the privatization process itself, poor

competition regulations, and interference between competition and sector regulatory authorities. Therefore this session should give some elucidation to our second question: *When does a country have a competition problem?*

The third session focuses on *How a country should modify competition laws and a sector regulatory framework*. In this session, the experiences of Argentina and Chile will illustrate how the regulations of competition in infrastructure sectors need to be addressed in both sector and competition laws. Some general recommendations will be discussed.

The fourth session will address the fourth question concerning *which type of competition policy demands the process of increasing regional globalization*. The theoretical approach on how to harmonize competition regulations will be illustrated with a presentation on the Mercosur approach and on the problems that may surface in transnational infrastructures when proper competition is not enforceable.

The last session addresses the question of *how to enhance and coordinate the role of competition and regulatory agencies*. This session will analyze the role of each authority in the recent case of the Endesa- Iberdrola merger, two Spanish power companies.

A round table with the participation of competition agencies will close the conference. From this session we would like to receive suggestions in order for the Bank and the MIF to prepare a program to overcome obstacles and be able to reach challenges ahead. Therefore, we welcome your ideas to answer questions such as:

- Which are the specific needs of a country ?
- How may the IDB and the MIF support such program?
- Are the IDB's and MIF's tools sufficient ?
- Which tools are appropriate for each case?

Although competition in infrastructure services is a joint effort of competition and sector authorities, this round table will include a majority of competition agencies. There are two reasons for that. First, we would like to stress the role of competition agencies in promoting competition in infrastructures sectors. Second, we would like to have the opportunity to discuss with Competition Agencies how the IDB and MIF can provide support to them as we have discussed with infrastructure regulators on many occasions.

Final Remarks

Building consensus in competition issues in infrastructure services in LDC is a desirable, but a hard task. It is hard because:

- First, the benefits of the competition disperse among many stakeholders and competition costs are concentrated in a few companies. Therefore, complaints are strong and supports are diffuse.

- Second, competition in infrastructure sectors demands deregulation, but eliminating regulations is not enough. It's a long and complex process of less and better regulations. Therefore, transition arrangements became essential

Even when this is difficult, efforts are worthwhile because effective competition is the basis for making the infrastructure reforms sustainable and socially accepted. We hope that at the end of these two days we reach some consensus with respect to the flaws of the reforms in bringing competition and the appropriate solutions for dealing with them .