Federal Antimonopoly Service of Russia

Striking a Balance between Competition Advocacy and Enforcement Activity in Solving Current Challenges to Promoting Competition in Russia

Igor Artemjev, Chairman of FAS, 2009 г.
Growing number of antitrust violations by natural monopolies and their subsidiaries

**Ways of Solution**

- development of new version of the FL “On natural monopolies” providing for increased transparency of natural monopolies, creating conditions for competition and open tender procedures for purchases of goods and services by the natural monopolies; introduction of procedures of endorsement and approval of investment programmes of natural monopolies
- providing competing entities with fair access to networks of natural monopolies
- completion of separation of natural monopoly and competitive components of companies operating in natural monopoly markets
Creation of state corporations – potential threat to competition

Ways of Solution

- Extension of government procurement rules on state corporations
- Increased antitrust control over state corporations
- Introduction of legal provisions stipulating that state corporations are provided only with assets corresponding to their goals and that they do not have a right to receive any other assets from the state; property provided to the state corporation from the Treasury must be determined by the Federal Law
Violations of antitrust law by local self-governance bodies

**Ways of Solution**

- Including goals of developing competition and demonopolization of economy in the Programmes of all government bodies

- Implementation of a special Programme on “Prophylaxis and ceasing antitrust violations by government and local self-governance bodies” by FAS-Russia
High risk of cartels

**Ways of Solution**

- Creation of specialized departments in law enforcement bodies (Office of the Prosecutor General of the Russian Federation, Ministry of Internal Affairs) targeted at revealing and investigation of cartels (anticompetitive agreements) and concerted activities by companies

- Amending the FL “On protection of competition” and legislation of law enforcement bodies in order to establish rules of cooperation between the antitrust agency and law enforcement bodies
Insufficient development of commodity exchange trade in many goods – leads to malfunction of competition mechanism

Ways of Solution

- Preparation of draft Decrees of the Government of the Russian Federation on groups of commodities to be primarily sold at commodity exchange as well as on group of commodities recommended for sale at the commodity exchange

- Preparation of the draft Decree of the Government of the Russian Federation on principles of market price setting at the exchange for issuing injunctions by the federal antitrust authority to companies abusing their dominant position


- Preparation and approval of the precise calendar plan of actions of the Government of the Russian Federation on organizing trade in oil and oil products at the commodity exchange
Lack of equal access requirements in some natural monopoly markets

Ways of Solution

- Development of general requirements of equal access
- Development and improvement of equal access requirements in the following markets:
  - infrastructure of electric connection
  - services and infrastructure facilities of the Federal Postal Service
  - airport infrastructure for air companies
  - services of sea and river ports
  - natural gas distribution systems
- Introduce changes in the legislation of natural monopolies
- Introduce by laws for implementation of equal access requirements provided for by FL “On protection of competition”
Problems in pricing in oil products markets

- direct link of domestic oil and oil product prices to world market prices
- inefficiency of monopolistic system of sales of oil products in the domestic market

Ways of Solution

- change in collection of Tax on Extraction of Natural Resources (introduction if reducing coefficients for oil processed in Russia)
- correction of procedure of establishing customs duty (introduction of “glazing” duty depending on season changes in oil price)

Development of the FL “On oil”

- Separation of types of businesses of vertically integrated companies between different legal persons within the frames of the same holding company
- Setting information disclosure standards for vertically integrated oil companies (VIOC): pricing at each stage of the value chain from extraction to retail trade, reserves and commodity balance of the VIOC
- Mandatory publishing of current indicators of the Russian oil market, including reserves in the regional markets
- Establishing a volume of oil and oil products to be sold in open markets (exchanges). It will help to create a minimum necessary liquidity of exchange trade and involve more oil products for sale in the open market.
Parallel existence of two markets for liquefied hydrocarbonic gas (sold at regulated and free market prices)

**Ways of Solution**

- Abolishment of government regulation of wholesale prices for liquefied hydrocarbonic gas for household consumption (issuing a Decree of the Government of the Russian Federation providing for amending the Government Acts stipulating for minimum requirements for gas balance and introduction of direct support of population using gas for household needs)

- Development of Draft FL “On support of population using liquefied hydrocarbonic gas for household needs”
Signs of insufficient development of competition in a number of sectors of the Russian economy

**Consumer crediting**
*Solution:*
- issuing a Decree of the Government of the RF providing for procedure of selecting lenders
- Preparation of the RF Government Decree “On eligible agreements”

**Iron and steel industry**
*Solution:*
- joint market study of economic concentration in the industry by Ministry of Industry and Trade and FAS and making suggestions on structural measures

**Non-government pension plans and management of pension savings**
*Solution:*
- changes in the FL «On investment funds for financing Savings part of labor pension»

**Defense industry**
*Solution:*
- revealing the facts of excessive pricing for materials supplied

**Mandatory medical insurance**
*Solution:*
- development of FL “On mandatory Medical insurance”
Signs of insufficient development of competition in a number of sectors of the Russian economy

**Transfers of funds of physical persons by non-banking institutions**

*Solution*
- Development of the FL “On accepting transfers” and amending Article 13.1 of the FL “On banking activity”

**Advertisement**

*Solution:*
- introducing changes in the Code On administrative and legal responsibility

**Retail trade**

*Solution*
- Draft Law “On state regulation of trading Activity

**Housing construction**

*Solution:*
- involving idle land
- subsidizing building infrastructure of land parcels
- reimbursable subsidizing of regions for formation of land parcels