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Recent Activities in Competition Assessment in Korea

Purpose: Information
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**Competition Policy and Law Group Meeting
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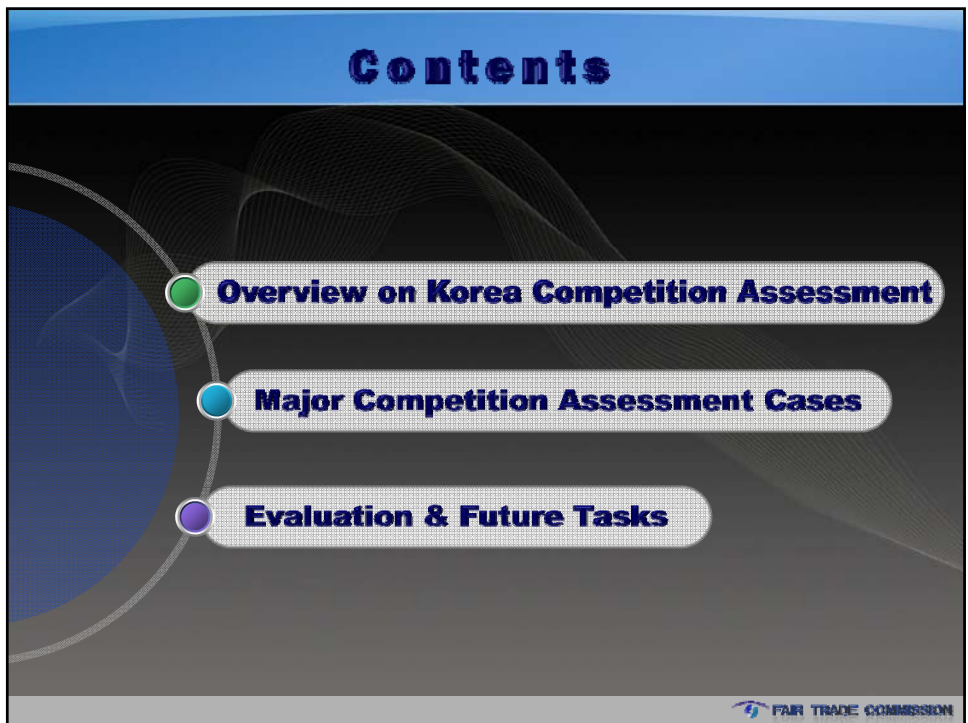


공정거래위원회

Recent Activities in Competition Assessment in Korea

March, 2011
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Korea Fair Trade Commission

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Contents

- **Overview on Korea Competition Assessment**
- **Major Competition Assessment Cases**
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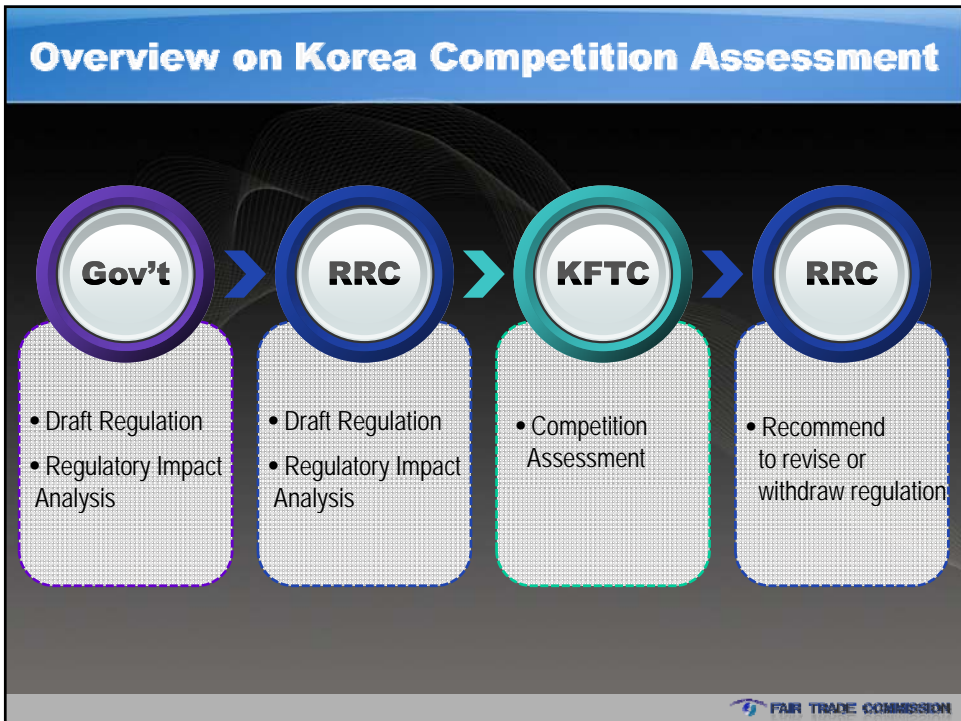
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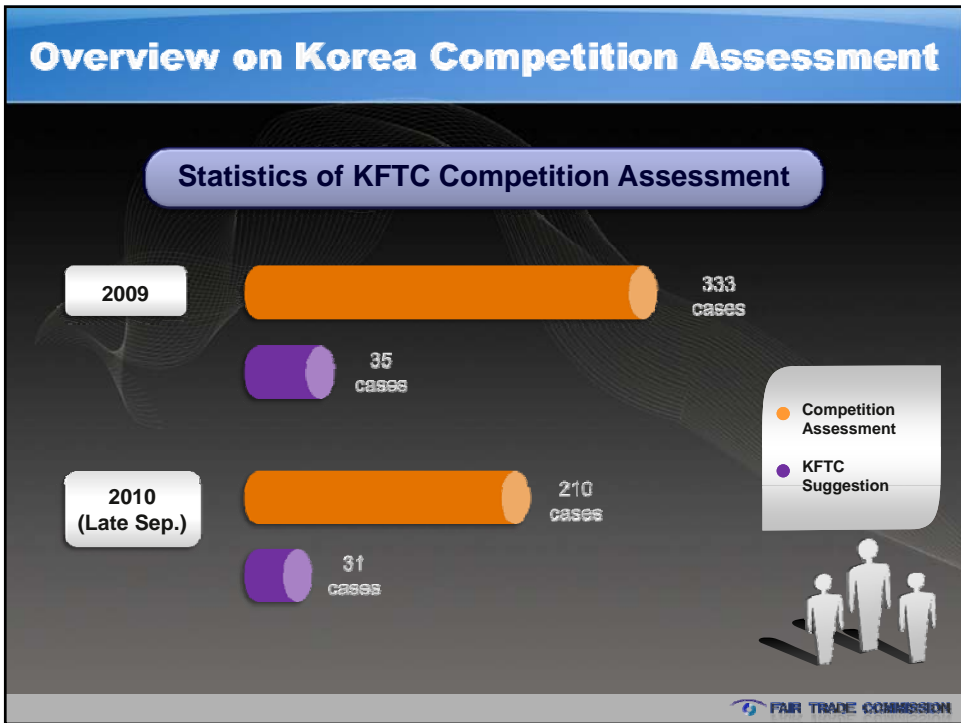
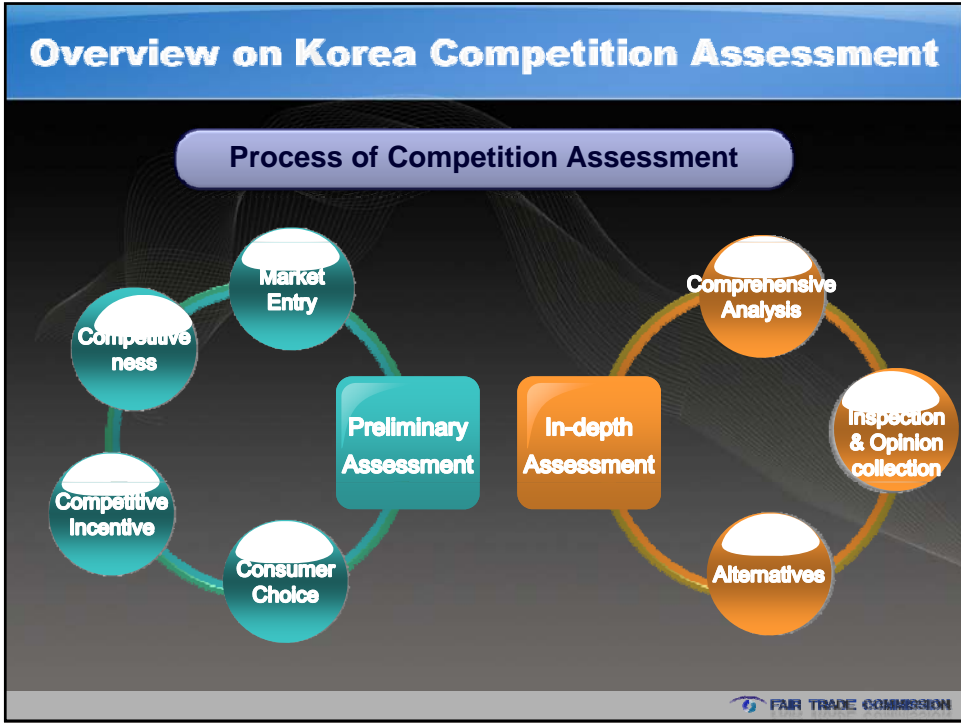
The slide has a dark background with a light blue wave graphic on the left. The title 'Contents' is in a blue box at the top. Three items are listed in white rounded rectangles, each preceded by a colored circle (green, blue, purple). The Fair Trade Commission logo is at the bottom right.

Overview on Korea Competition Assessment

- ❖ 2007
 - OECD Competition Assessment Toolkit
- ❖ 2008
 - How to adapt OECD Toolkit for the use in Korea
 - Introduced in 「Guidelines on Regulatory Impact Assessment」 of RCC
 - ✓ Institutionalization
- ❖ After 2009
 - Groundwork for successful operation
 - Earnest implementation


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Major Competition Assessment Cases

<Case 1> Prohibition on operation of postnatal care centers on the 3rd floor or higher (May 2009)	Accepted
<Case 2> Plan to pull incandescent bulbs off the shelf (May 2010)	Rejected
<Case 3> Restriction on labeling of "heat-resistant" on glassware (Aug.2010)	Accepted


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1. Prohibition on operation of postnatal care centers on 3rd floor or higher

■ **Ministry of Health and Welfare**

Newly built postnatal care centers required to be located on 2nd floor or lower

- ✓ Disastrous fire at public facilities
- ✓ Moms and new born babies especially hard to evacuate in case of fire
- ✓ Existing postnatal care centers on 3rd floor or higher exempted

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1. Prohibition on operation of postnatal care centers on 3rd floor or higher

< Location of Postnatal Care Centers in Buildings (2008) >

	Floor	No.	%	
Total		402	100	
402 operated across the nation	1 st	3	0.75	89.3
	2 nd	40	9.95	
	3 rd	51	12.69	
	4 th	81	20.15	
	5 th	79	19.65	
	6 th	58	14.43	
	7 th	42	10.45	
	8 th	18	4.48	
	9 th	16	3.98	
	10 th	10	2.49	
	11 th	3	0.75	
	12 th	1	0.25	

Source: Ministry of Health and Welfare

1. Prohibition on operation of postnatal care centers on 3rd floor or higher


< Fire Cases at Public Facilities (2008) >

	Case	Casualty	Killed	Injured
Restaurants	154	10	3	7
Karaoke	133	26	0	26
Goshiwon	33	21	7	14
Postnatal Care Center	3	-	-	-


Source : Fire Cases Information System of the National Emergency Management Agency

1. Prohibition on operation of postnatal care centers on 3rd floor or higher

KFTC Conclusion	KFTC Suggestion
<ul style="list-style-type: none">▪ Higher rent for lower-floor space<ul style="list-style-type: none">➢ Lessen market entry with raised entry costs➢ Ultimately increase prices of the use of postnatal care centers▪ Vested interests of incumbents (Grandfather Clause)<ul style="list-style-type: none">➢ Discriminatively higher costs for newcomers	<ul style="list-style-type: none">▪ Tighten or newly design safety standards for postnatal care centers▪ Regulation based on compliance with the standards not on what floor they are located

 Accepted

Objective Decision needed despite tendency for stronger regulation after tragic accident


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2. Plan to pull incandescent bulbs off the shelf

■ **Ministry of Knowledge Economy**

Energy efficiency standard for incandescent bulbs to be raised to the impossible level for manufacturing and sale

✓ To phase out the least efficient lighting product by 2013

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2. Plan to pull incandescent bulbs off the shelf

Social Background

- ✓ High energy consumption despite lack of energy sources
- ✓ Power consumption by GDP
- ✓ Power consumption per \$1 worth of GDP
- ✓ Korea : 0.58kwh
- ✓ OECD Average : 0.339kwh
- ✓ Source : Korea Development Institute (KDI) (2008)

2. Plan to pull incandescent bulbs off the shelf

< Energy Performance Standards of Incandescent Bulbs >

(Unit: lm/W)

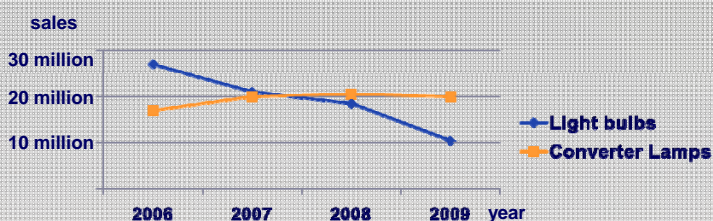
	Before (Minimum Standards)	After (Minimum Standards)
25w or higher and less than 40w	8.3	20.0 (From 1 st Jan. 2014)
40w or higher and less than 70w	11.4	20.0 (From 1 st Jan. 2014)
70w or higher and 150w or lower	13.2	20.0 (From 1 st Jan.2012)

2. Plan to pull incandescent bulbs off the shelf

<Sales of Incandescent Bulb and Self-ballasted Lamp>

(*Source: Ministry of Knowledge Economy)

Year	Incandescent Bulb	Self-ballasted Lamp	Total
2006	27,143,119(61.4%)	17,046,637(38.6%)	44,189,756(100%)
2007	20,874,884(51.5%)	19,653,893(48.5%)	40,528,777(100%)
2008	18,584,249(47.6%)	20,421,782(52.4%)	39,006,031(100%)
2009	10,688,185(34.7%)	20,075,214(65.3%)	30,763,399(100%)



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2. Plan to pull incandescent bulbs off the shelf

KFTC Conclusion

- Government trying to adjust consumers' preference for products for specific use
 - Undermine consumer welfare
- Use of incandescent bulbs assumed to be naturally phased out due to its inefficiency
- Artificial and sudden adjustment → market distortion

KFTC Suggestion

- KFTC opinions not accepted
 - Regulation introduced as originally designed considering social benefits from achieving policy goals



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3. Restriction on labeling of “heat-resistant”

■ Korea Food & Drug Administration (KFDA)

Limited the labeling of [heat-resistant] to glassware made of certain materials

- ✓ Korean Industrial Standards (KSL 2424) define heat-resistant glassware as being made of special materials whose thermal expansion coefficient is below certain level

3. Restriction on labeling of “heat-resistant”

KSL2424

1. Scope of Application: The standard shall be applied to heat-resistant glassware used for tableware or cookware (hereinafter “glassware”)

- Note: **Heat-resistant glassware** in this context refers to body and lid of the glassware, and does not include other accessories (such as handles)

Materials of glassware are limited to **borosilicate glass, glass-ceramic, aluminosilicate and others of which thermal expansion coefficient is below $65 \times 10^{-7} \text{ } ^\circ\text{C}^{-1}$ (0~300°C)**

2. Type : Type of glassware shall be categorized by the use as follows;

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3. Restriction on labeling of "heat-resistant"

< 2009 Glassware Market (airtight container) >

<Unit : KRW>

Type	Producer	Turnover	Use
Heat-resistant Glass	D	Less than 100 million	Non-direct heating
	L	12 billion	Non-direct heating
	W	4 billion	Direct heating (2 billion), Non-direct heating
Tempered Glass	S	82 billion	Non-direct heating
	C	1 billion	Non-direct heating
	Others	1 billion	Non-direct heating
Total		100 billion	

3. Restriction on labeling of "heat-resistant"

KFTC Conclusion

- Prohibiting the labeling of [heat-resistant] on tempered glassware
 - Weaken competitiveness of manufacturers and sellers of tempered glassware
 - Hinder technology innovation for high quality products made of low-priced materials
 - Create misunderstanding "tempered glassware not suitable for cooking"

KFTC Suggestion

- Allow the labeling of [heat-resistant] on any glassware meeting the heat resistance standards
- For possible safety issue of tempered glassware, set separate safety standards




Regulation could serve as a barrier to innovation

Evaluation & Future Tasks

Evaluation


- ✓ 65.7% accepted in RRC regulatory review
(In 2009, 23 suggestions out of 35 reflected)
- ✓ Foundation for preventing anticompetitive regulations
- ✓ Increased awareness of public sector on problems of anticompetitive regulations

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Evaluation & Future Tasks

Tasks

- ✓ Utilize economic analysis capability for competition assessment
- ✓ Conduct education and awareness campaign for regulatory authorities
- ✓ Include new course on competition assessment in education program of OECD-Korea Policy Center

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