

# The Portuguese Competition Authority's Priorities



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24 October 2019

- 1. The importance of competition policy**
- 2. The AdC - who we are**
- 3. Priorities for 2019**

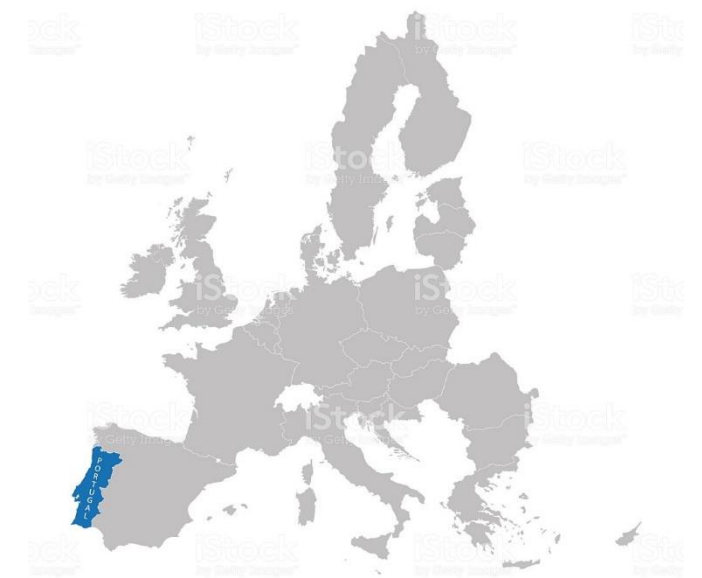
# Fair Play Movie



[Click here](#)

# The importance of competition

- In a competitive context, each economic agent is **free to enter, remain or leave a market** and can **autonomously make decisions** regarding the strategic variables under its control.
- A competitive market allows for the entry of **more efficient companies** and pushes out **less efficient companies**.
- Competition creates more pressure on companies and leads to **lower prices, better quality, more diversity of goods and services as well as more innovation**.
- However, **barriers** may exist in markets, whether they are structural or regulatory, which can create conditions in which certain companies gain market power.
- **Market power** is characterized by the capacity of economic agents, in a given market, charging higher prices than they would in a market with greater competition.



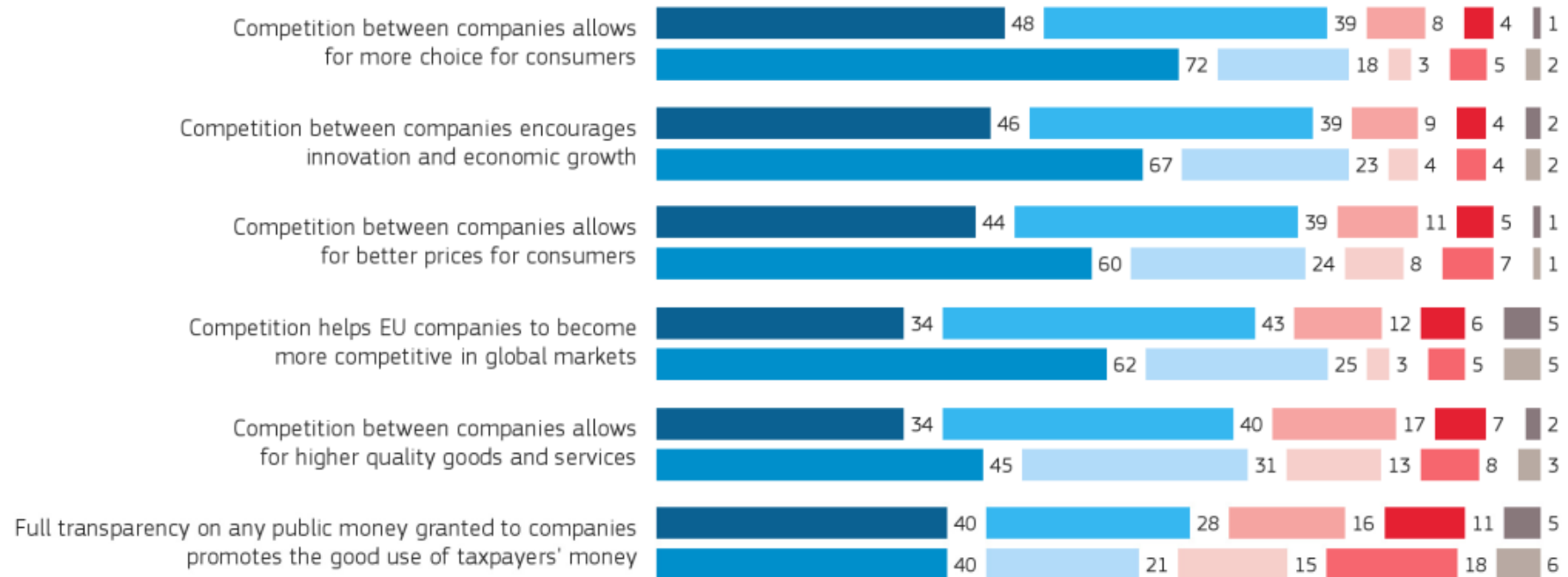
# The importance of competition policy

- Competition **principles** are anchored in the very foundation of the European Economic Community (EEC) as a means of achieving a single internal market.
- Such principles have been a pillar in the subsequent treaties and are now **consolidated** in European law:
  - Treaty on the Functioning of the European Union – Articles 101 and 102 (and others) consolidate competition rules for the EU
  - Decentralized application of competition law among European Commission and EU Member States
  - EU Merger Regulation (No 139/2004)
- The **ECN+ Directive** (2019) has strengthened the importance of competition enforcement by granting additional independence and reinforced investigative powers to competition authorities.



# Perception of competition in Portugal and the EU

**Q1A** For each of the following statements, please tell me whether you totally agree, tend to agree, tend to disagree or totally disagree:  
(%)



EU28



PT



Totally agree

Tend to agree

Tend to disagree

Totally disagree

Don't know

# The importance of competition policy

Competition brings significant **benefits** to the economy and society

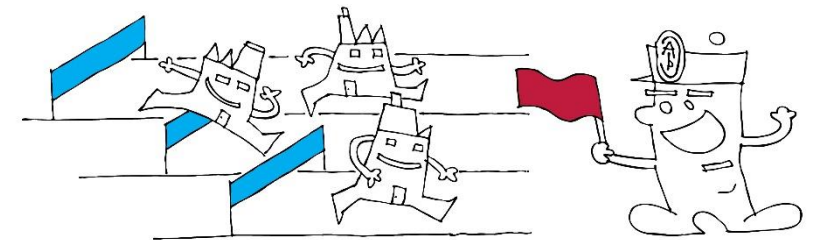
More **productivity** and **competitiveness**

Products and services with better **quality**

**Innovation** and variety

**Lower** prices

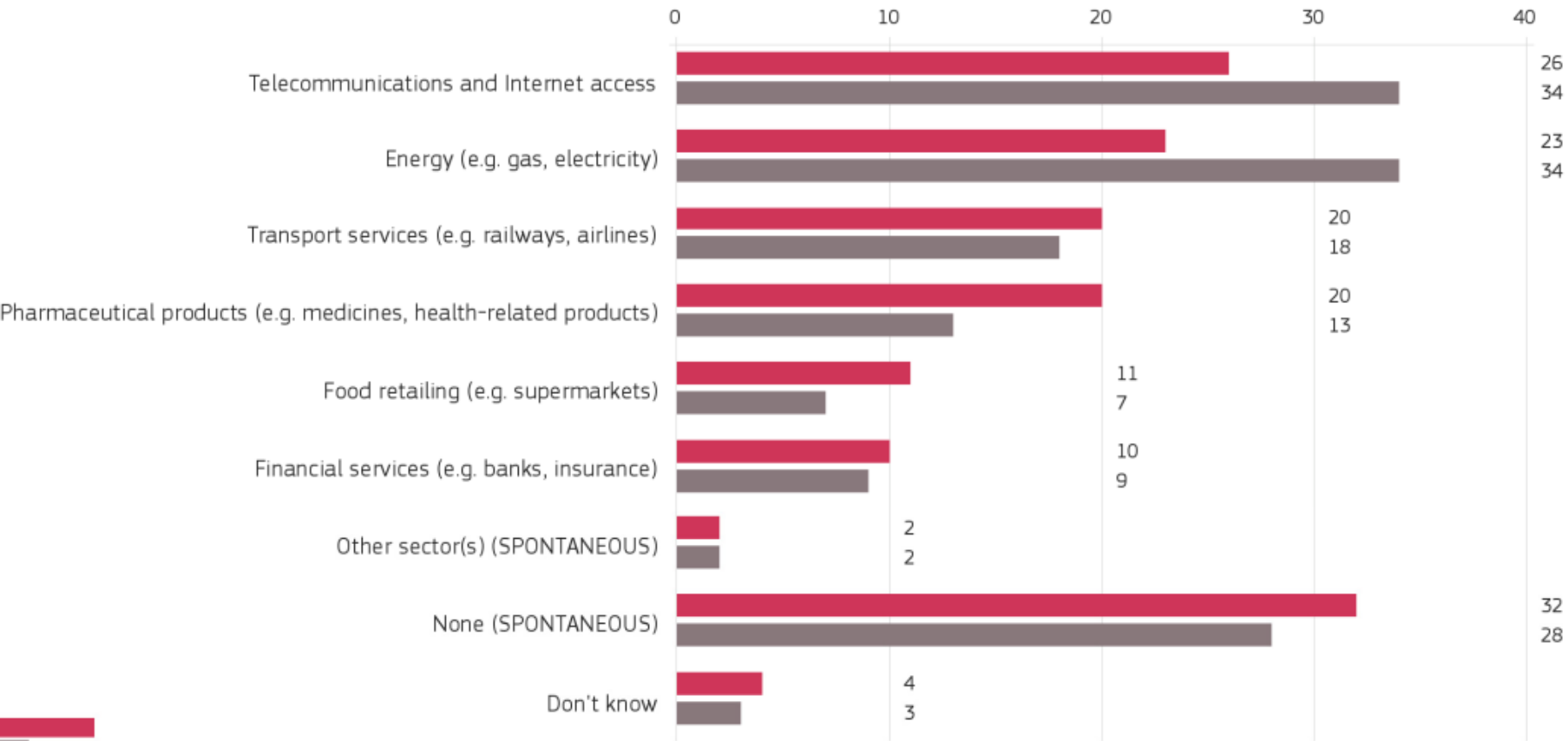
Greater consumer **well-being**



The **breach of competition rules**  
**harms** consumers, the competitiveness  
of businesses and the economy as a whole.

# Perception of competition in Portugal and the EU

**Q2T** Have you ever experienced problems due to a lack of competition in the following sectors that resulted in problems such as higher prices, less product or supplier choice, or lower quality? Firstly? And secondly? (MAX. 2 ANSWERS)  
(%)





# Competition increasingly valued on the world stage



# The AdC – Who we are



PURPOSE

**To defend  
competition for the  
benefit of citizens.**



To ensure the **enforcement and promotion of competition in Portugal** within the private, public, cooperative and social sectors, in keeping with the principles of market economy and free competition for the efficient operation of the markets, the optimal allocation of resources and the protection of consumer interest.

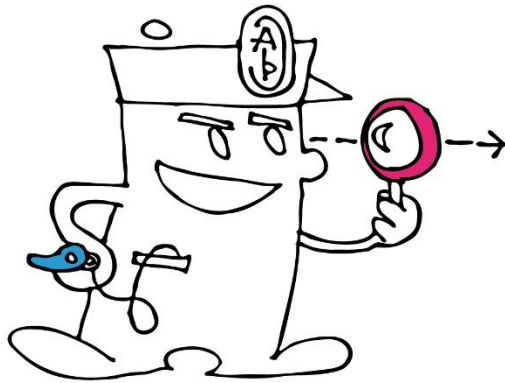
AdC's mission as foreseen in its by-laws (approved by Decree Law No. 125/2014, of 18 August)

MISSION

**WE INVESTIGATE MORE,  
BETTER AND FASTER.**

## VISION

**To be the reference as a  
public service provider in  
quality, agility and ability to  
deliver value to society.**



## VALUES

**Dedication | Excellence | Collaboration | Responsibility | Impartiality**

- **Sanctioning powers**
  - Practices which restrict competition
  - Failure to file mergers (gun jumping)
- **Supervisory powers**
  - Merger control
  - Economic studies and market monitoring
  - Competition Impact Assessment of Public Policies
- **Regulatory powers**
  - Regulations, recommendations and other guidance



# Two core areas of activity

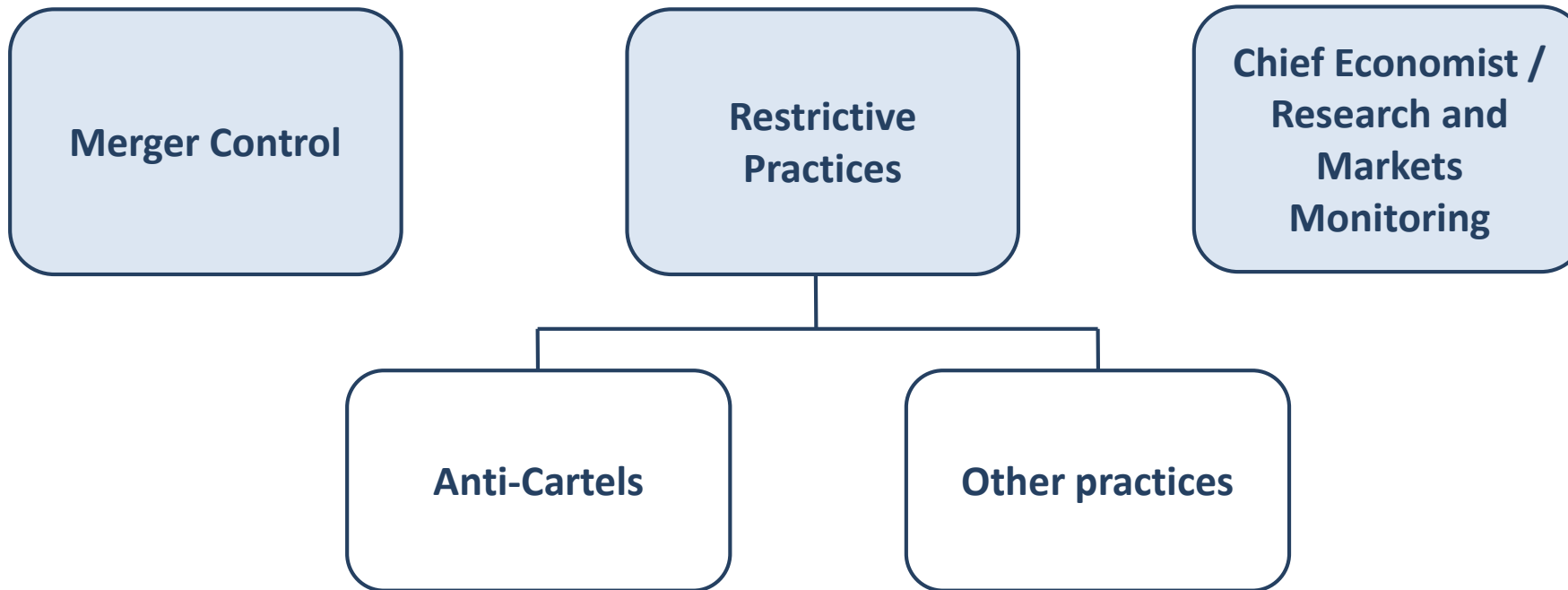
## Competition enforcement

- Restrictive practices
  - Horizontal restrictions (cartels and concerted practices)
  - Vertical restrictions
  - Abuses of dominance
  - Abuse of economic dependence
- Merger control

## Competition advocacy

- Economic studies and sector inquiries
- Competition impact assessment
- Transparency
- Outreach and interaction with stakeholders
  - Business, lawyers, universities, judiciary, government, regulators, public bodies, press, consumers and citizens

## Core areas





What is the relevant market?

- Assess the “arena” where firms strategically interact – product & geography

Who are the competitors in the market?

Assess degree of competition and market power

- Concentration measures (e.g. HHI and concentration indexes  $C_n$ )
- Closeness of competition between firms (e.g. diversion ratios)
- Evaluate barriers to entry and expansion (e.g. economies of scale, economies of scope, network effects)
- Are there issues of access to key infrastructure (e.g. network or data)?
- Dynamic evolution of market structure
- Entry and contestability
- Is the market prone to collusion?
- Proxies for extent of market power (market share, price/cost margins; persistency of market position)
- Relevant dimension of competition: price, quantity, capacity or quality?

The roadmap of the competitive assessment is **tailored to the type of proceeding**

- Mergers (assess probability of unilateral or coordinated effects of the merger)
  - Is it likely that prices will increase after the merger? Or quality deteriorate? Are there risks of foreclosure? Will the market become more prone to collusion?
- Restrictive practices – analysis of the conduct in horizontal restrictions, vertical restrictions or abuse of dominance.
- Sector inquiries: are there competitive bottlenecks in the market? Put forward measures to promote competitive conditions

# Our staff

**Total staff: 92**





Competition experts:

- Economists – 28
- Lawyers – 33
- Others (forensic IT, communications): 8

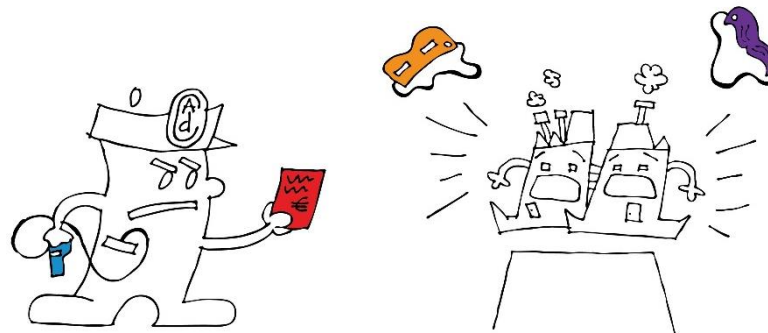
# Competition Policy Priorities



# Competition Policy Priorities 2019

-  Detect and investigate anti-competitive practices, namely cartels.
-  Increase *ex officio* detection of anti-competitive practices by way of, namely, cooperation agreements.
-  Deepen understanding of the use, by companies, of algorithms or artificial intelligence in facilitating anti-competitive behaviour.
-  Promote innovation by removing barriers created either by legislation or by anti-competitive behaviour on the part of incumbents.
-  Raise awareness of the Fighting Bid-Rigging in Public Procurement campaign as well as the Guide for Business Associations.
-  Promote the implementation of the recommendations issued in 2018 on liberal professions and the transport sector.
-  Achieve speedier merger control.
-  Consolidate internal checks and balances.
-  Reinforce the publication and searchability of AdC decisions and subsequent judicial decisions, studies, opinions and recommendations.

# Detect and investigate anti-competitive practices



# Types of anti-competitive practices

## Cartels and Horizontal Agreements

Coordination between competitors

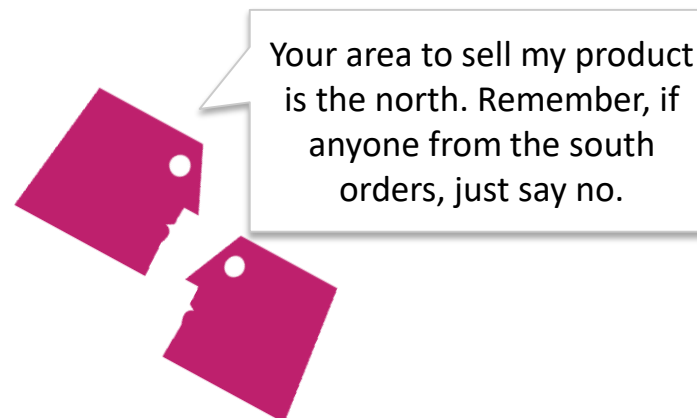
- Price fixing
- Limitation of production
- Division of markets
- Exchange of sensitive information



## Vertical Agreements

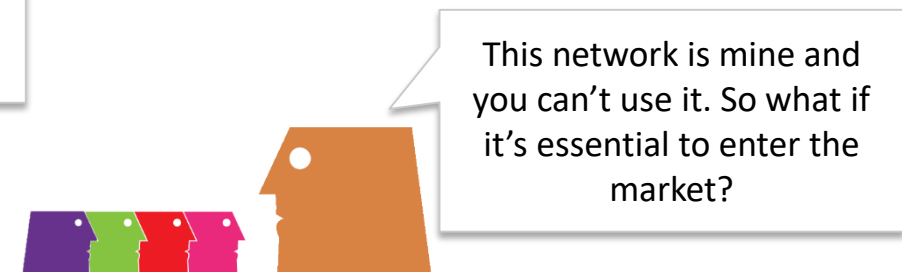
Coordination between non-competitors, i.e. companies on different levels of the value chain

- Resale price maintenance
- Restriction of passive sales
- Selective distribution
- Exclusive distribution



## Abuse of a dominant position

- Margin squeeze
- Predatory pricing
- Access to essential facilities
- Discrimination
- Limitation of production





## BEWARE OF THE COSTS OF **INFRINGING** COMPETITION RULES

Sanctions of up to **10% of the firm's annual turnover**

Sanctions of up to **10% of the joint turnover** of the associated firms, in the case of Associations of firms or Professional Orders

Sanctions of up to **10% of the annual salary of the managers**

- + Private Enforcement*
- + Reputational damages*
- + Agreements/Decisions null and void*



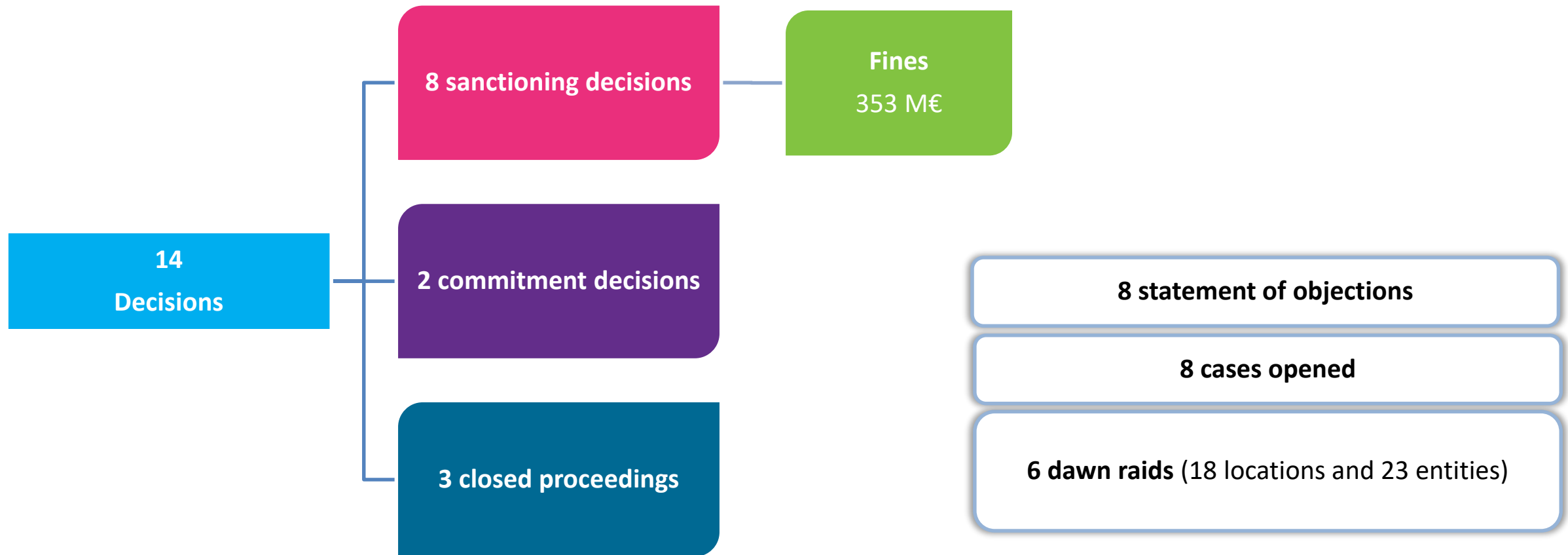
# Detecting anti-competitive practices

- Leniency Program
- Complaints
- *Ex officio* – acting on our own initiative



# Anti-competitive practices

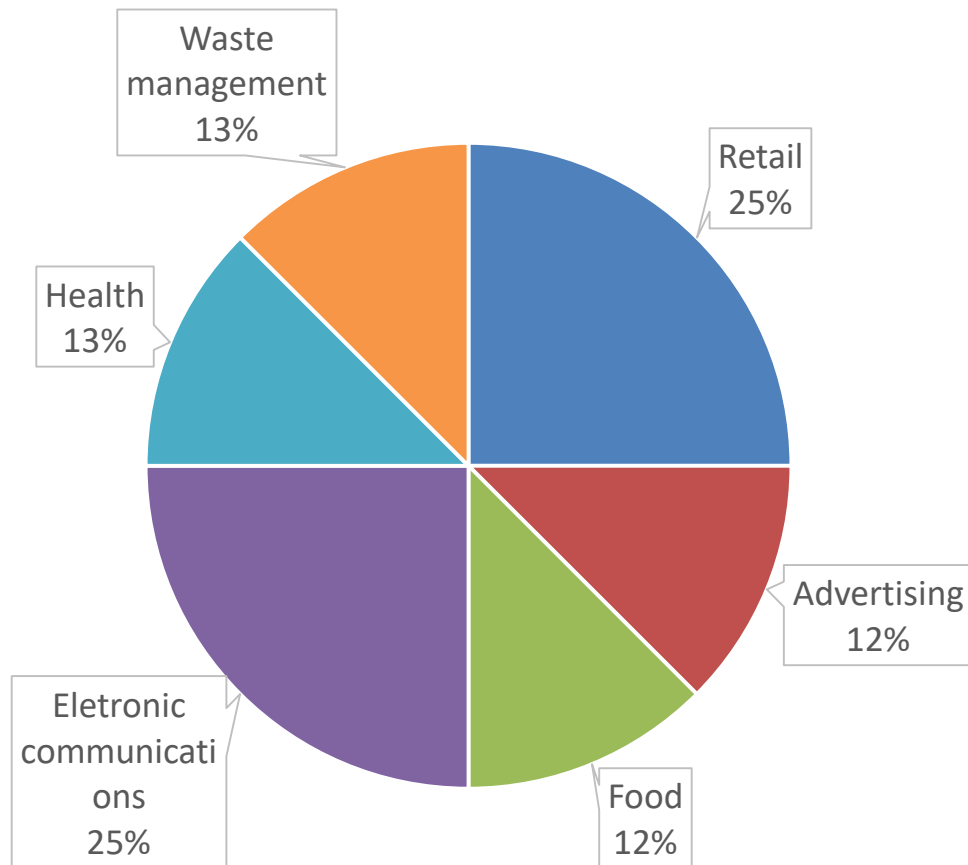
## Overview 2018 - 2019YTD



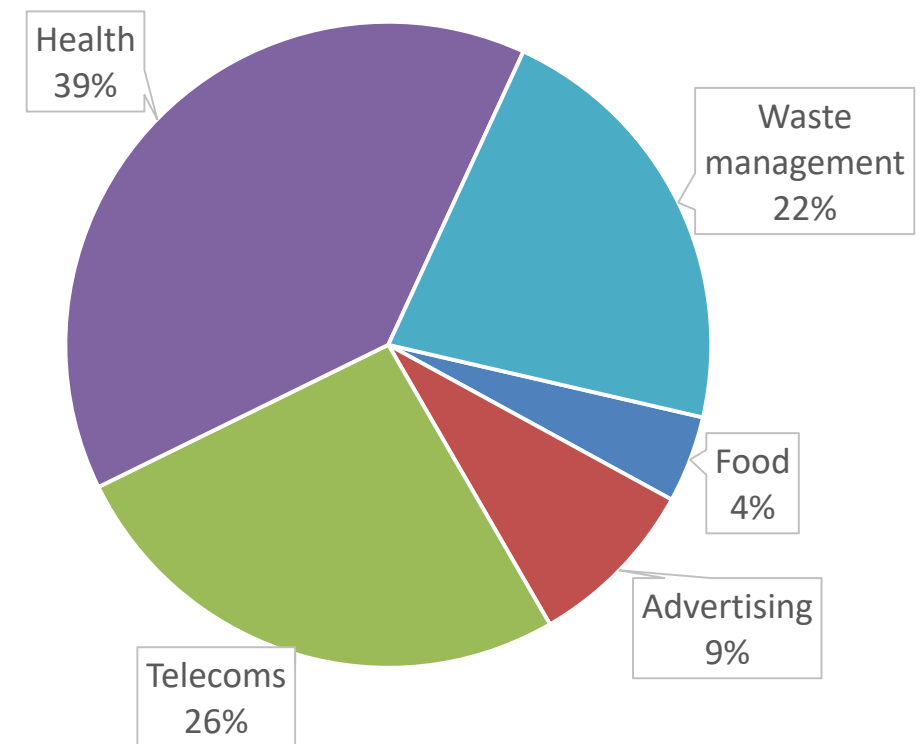
# Anticompetitive practices

## Overview 2018 - 2019YTD

**Opening of proceedings (per sector)**



**Entities targeted in inspections (per sector)**



### Concerted practice among 14 banks (2019)

- Exchange of sensitive commercial data (2002 – 2013) on their offers of credit products in retail banking, namely **mortgages, consumer and SME loans**.
- In the course of proceedings, initiated subsequent to a leniency application, the AdC conducted dawn raids in 25 premises of the 15 banks that participated in the scheme.
- Investigation launched with a leniency application; AdC imposed a **fine of € 225 million**

### Insurance cartel (2018-2019)

- Price fixing and market sharing agreement (2010-2017) regarding **workplace accidents, motor vehicle and health insurance** contracts for **large business customers**, involving 5 insurance companies and 14 members of Boards and Directors.
- In December 2018, the AdC adopted a **settlement decision** in relation to Fidelidade/Multicare (**fine of € 12 million**); in February 2019, a **second settlement decision** was adopted in relation to Seguradoras Unidas (**no fine, full immunity**). In July 2019, the AdC adopted a prohibition decision in relation to the remaining defendants (Lusitania, Zurich, two board members and two directors) and imposed a fine of over € 42M, in addition to the € 12M previously applied

### Railway maintenance cartel (2018-2019)

- Price fixing and market sharing agreement (2014-2015) regarding **the supply of railway maintenance services in public procurement proceedings**, involving 5 railway maintenance companies and 6 members of Board and Directors.
- In December 2018, the AdC adopted a **settlement decision** in relation to Neopul and one manager (fine of **€365,400**); in April and June 2019, the AdC adopted further settlement decisions in relation to Mota-Engil and one manager (fine of **€906,000**) and Frutifer and one board member (fine of **€300,000**) respectively. A final decision is to be adopted by the AdC before the end of 2019 in relation to the remaining defendants (Fergrupo, Somafel, and two directors).

### Resale price maintenance of beverages (2019)

- Fixing **minimum resale prices** and other commercial conditions of beverages in hotels, restaurants and cafes (2006-2017).
- In **July 2019**, the AdC adopted a prohibition decision in relation to Super Bock, one board member and one director of the company (**fine of € 24 million**).

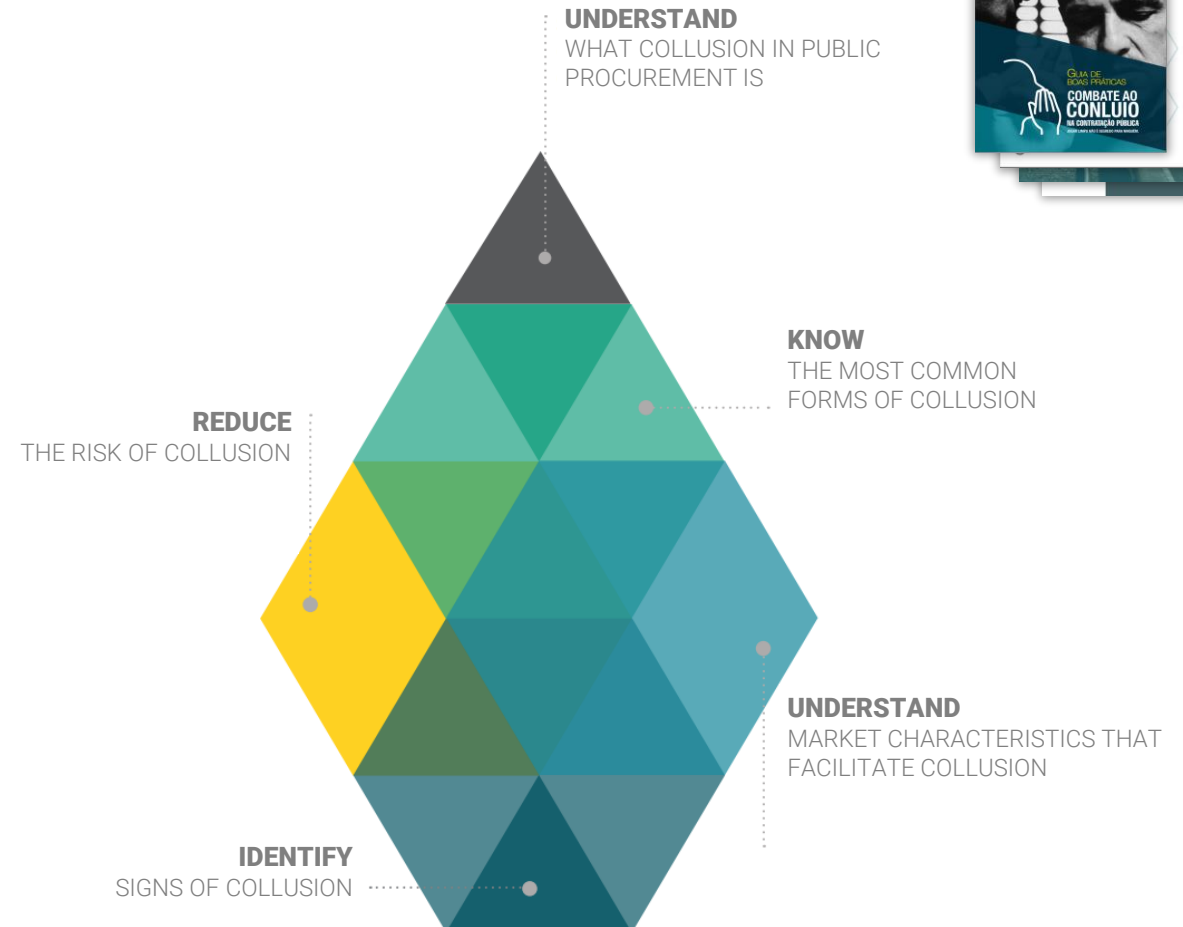
# Fighting bid-rigging in public procurement

## Fighting Bid-Rigging Campaign

**Raises awareness** among contracting authorities and other public procurement entities about the **impact of collusion** on public procurement and the benefits of improving the efficiency of procedures, as well as facilitating the **detection of evidence** of collusion between companies, reportable to the AdC.

Since 2016: **>2000 participants**

Railway maintenance cartel (2018-19) was **first cartel** sanctioned **on the basis of the outreach initiative**.



# The case of “the €1,000 cartel”

- **Leniency application by one of the firms in the cartel in Oct. 2013**
  - Reported meetings between 5 firms (Algeco, Elevatrans, Movex, Vendap and U.E.M.) to split the supply of pre-fabricated modules in tenders organised by Parque Escolar in 2009/2010
- Firms would regularly meet (restaurant “O Fuso”)
- Split lots according to their production capacity and geographic preference
- Induced price rise in the supply of monoblocs/modules
- **“Rule of €1000”:**
  - ☐ The bidder previously chosen to win the tender for that lot would **bid more than €1000 below the maximum price** set for the tender (preço base)
  - ☐ The **others would bid a price less than €1000 below** the maximum price



# The case of “the €1,000 cartel”

- Rule was **applied in all the lots of the various tenders**, yielding the agreed market split

PE_10521_CQM - CONCURSO LIMITADO INTERNACIONAL POR PRÉVIA QUALIFICAÇÃO PARA O FORNECIMENTO E MONTAGEM, EM REGIME DE ALUGUER, DE MONOBLOCOS PRÉ-FABRICADOS PARA A INSTALAÇÃO PROVISÓRIA DE SALAS PARA O FUNCIONAMENTO DE ACTIVIDADES LECTIVAS E DE SERVIÇOS DE APOIO NAS ESCOLAS AFECTAS À DELEGAÇÃO CENTRO QUE INTEGRAM A FASE 3 – SUB-FASES A e B DE CONSTRUÇÃO DO PROGRAMA DE MODERNIZAÇÃO DAS ESCOLAS COM ENSINO SECUNDÁRIO – LOTES 3MC1, 3MC2									
Lote (referência i.e. 3MC1)	Valor base	Empresas proponentes		Valores propostos	Empresa adjudicatária	Vigência do contrato (inicial) e prorrogações	Apresentação de propostas económicas	V.proposto- V.base	Celebração do contrato
LOTE 3MC1	1.150.000,00 €	1º	ALGECO - CONSTRUÇÕES PRÉ-FABRICADAS, S.A.	1.148.450,00 €	ALGECO - CONSTRUÇÕES PRÉ- FABRICADAS, S.A.	CTR 10/2041/C/A/C 2meses montagem 18meses aluguer+10meses aluguer 5 dias desmontagem	28-07-2010	-1.550,00 €	24-09-2010
		2º	ELEVATRANS - PRÉ-FABRICADOS, LDA.	1.149.870,00 €			29-07-2010	-130,00 €	
		3º	GRUPO VENDAP, S.A.	1.149.400,00 €			29-07-2010	-600,00 €	
		4º							
LOTE 3MC2	1.150.000,00 €	1º	ALGECO - CONSTRUÇÕES PRÉ-FABRICADAS, S.A.	1.149.670,00 €	GRUPO VENDAP, S.A.	CTR 10/2042/C/A/C 2meses montagem 18meses aluguer 5 dias desmontagem	28-07-2010	-330,00 €	24-09-2010
		2º	ELEVATRANS - PRÉ-FABRICADOS, LDA.	1.149.899,00 €			29-07-2010	-101,00 €	
		3º	GRUPO VENDAP, S.A.	1.148.500,00 €			29-07-2010	-1.500,00 €	
		4º							

- Exceptions in 2 lots:** pre-chosen winner was excluded from the tender
- Forms of compensation:** subcontracting by the winner bidder to the firm who had been chosen by the cartel to win the lot



# The case of “the €1,000 cartel”

- **Procedure**

- Investigation opened on January 8, 2014
- Dawn raids: 29 January 2014 to the premises of all 5 firms
- Further leniency applications followed in february 2014
- Inquiries in June 2014

- **Outcome**

- Decision by the AdC under transaction proceedings (July 2015):
- Involved all 5 firms participating in the cartel
- All firms recognised the facts and their accountability
- Articulation between leniency and transaction proceedings

# Increase *ex officio* detection of anti-competitive practices



# Analyzing market data to uncover anti-competitive practices

- Reinforcing capacity to analyze market data
  - Development of **statistical and econometric methodologies** to **screen data**
  - Public procurement particularly well-placed because of abundance of data
  - As of 2018, AdC has full and direct access to national e-procurement database (Portal BASE)
  - Facilitates the **detection of bid-rigging in public procurement on an *ex officio* basis**, even where no complaint or leniency application has been made, and accelerate the investigation of such practices.
- **Institutional cooperation** for access to data
  - IMPIC – Public procurement data
  - INFARMED – Medicines, medical devices and cosmetics

# Algorithms as a facilitator of anti-competitive behavior



# An analytical framework for the digital economy

- Addresses key issues in digital markets that may impact competition:
  - Network effects and multi-sided markets;
  - Digital ecosystems;
  - Data access and data portability
  - Implications for merger evaluation
  - Monitoring and pricing algorithms, and their possible role as facilitators of collusion
- Builds on **recent reports in digital markets**, e.g., Crémer et al. (2019), the Furman Report (2019), Stigler Center (2019).

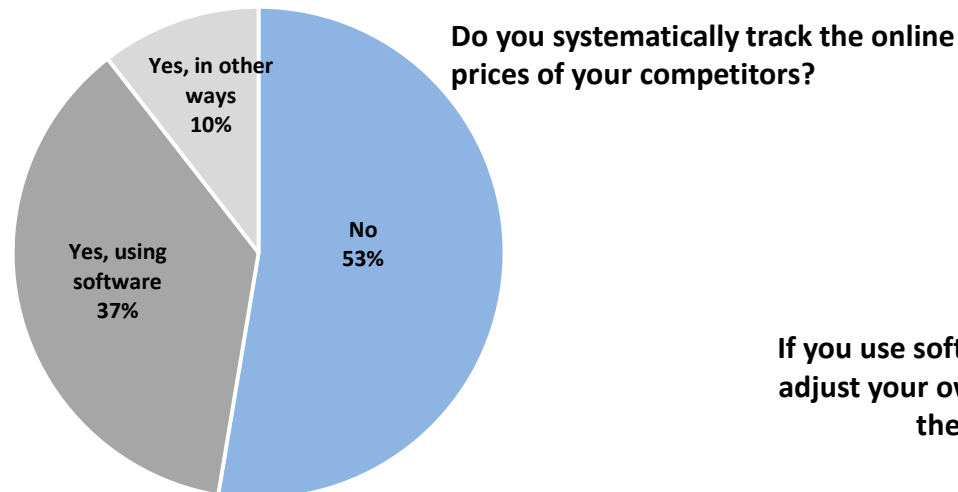


## Aims

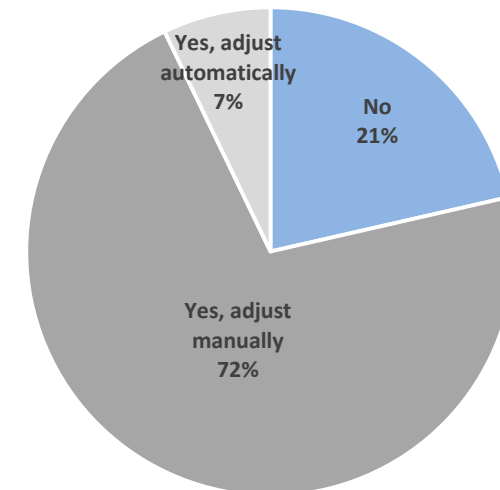
- **Added focus on algorithms and implications for undertakings**
- **Advocacy for the competition community** as to how AdC views challenges regarding the digital developments for competition policy and enforcement

# Algorithms and collusion

- Algorithms may change the way competition takes place in the market:
  - Firms may adopt new strategies (e.g., personalised pricing)
  - Firms can do what they already did faster and/or with more information (e.g., monitoring prices)
  - The way firms interact may change (e.g., easier to detect deviations from collusive equilibria)
- The risks introduced by algorithms are especially relevant in markets that are already concentrated.
- The AdC assessed how widespread are monitoring and pricing algorithms among firms operating in Portugal and how they are used through an RFI that allowed collecting info on about 40 firms.



**If you use software to track online prices, do you adjust your own prices in response to changes in the online prices of your competitors?**



Four ways algorithms may promote collusion:

- Making explicit collusion easier to enforce (e.g. Trod and Topkins)
- Introducing predictability and market transparency (tacit collusion)
- Creating “hub-and-spoke”-like scenarios
- Reaching collusive equilibria on their own

- Examples of what **simple-rule pricing algorithms** may provide to vendors in marketplaces;
- Third-party vendors can set pricing rules *vis-à-vis* other vendors' prices (e.g., undercut; match);
- The algorithm will **monitor other prices and adjust its own prices accordingly**.

**Choose How to Reprice Against Your Competition**

Price Below ▼    \$/€/£... ▼    0

Enter the dollar amount or percentage that will be used to reprice you against your competition. The correct currency will be used automatically.

**Choose How to Reprice Against Your Competition**

Price Below ▼    \$/€/£... ▼    0

Price Below  
Price Above  
Match Price

percentage that will be used to reprice you against your competition. The correct currency will be used automatically.

Source: <https://help.informed.co/strategies/strategy-types/compete-with-lowest-price>





- Additional options available in this pricing algorithm.

E.g., **incorporating the degree of competition** and **your rivals' strategies** in your choice of price, **targeting the price of your closest competitor**, or considering the **type of competitor**.

#### When There is No Competition

Do not reprice  
Use Min Price  
Use Max Price

#### When the Competition is Below Your Min Price

Do not reprice  
Ignore competition  
Use Min Price  
Use Max Price

#### When the Competition Matches Your Min Price

Do not reprice  
Ignore competition  
Use Min Price  
Use Max Price

#### When Your Own Price Matches Your Min Price

Use Min Price  
Use Max Price

#### Exclude Amazon as a Seller

☒ Enabled ☐ Disabled

Enabling this setting excludes Amazon as competition when they are present on an offer.

#### Price out of stock listings to max price

☒ Enabled ☐ Disabled

Maintain your max price on listings when out of stock. In stock listings will price according to strategy settings

#### Don't Lower My Price When in the Buy Box

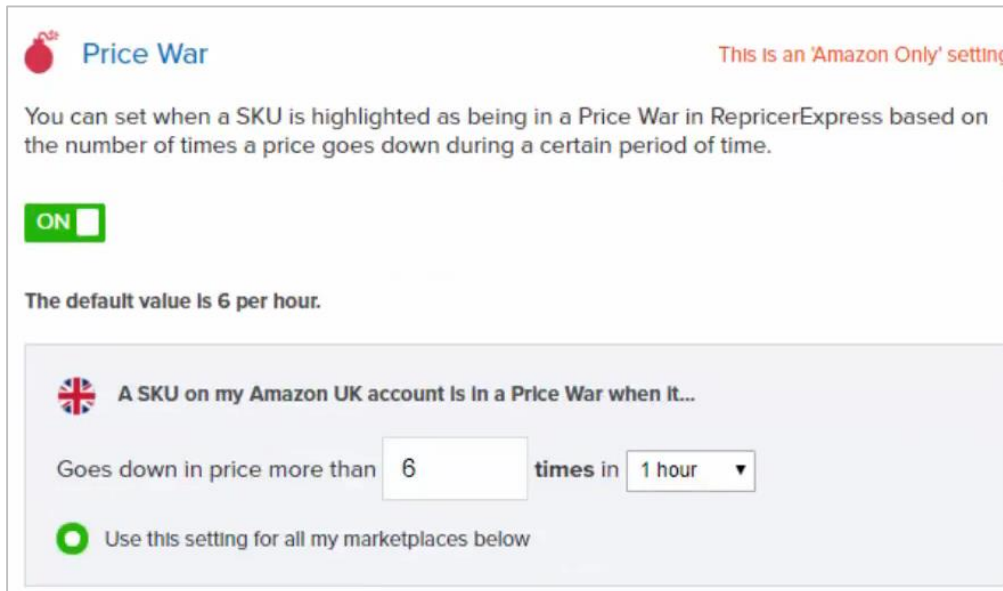
☒ Enabled ☐ Disabled

Prevent your price from being lowered when you have the Buy Box, even if there are competitors lower than you.

Source: <https://help.informed.co/strategies/strategy-types/build-your-own>

# Detecting and avoiding price wars

- Vendors can set their definition of price war, which will be monitored by the pricing algorithm:




**Price War** This is an 'Amazon Only' setting

You can set when a SKU is highlighted as being in a Price War in RepricerExpress based on the number of times a price goes down during a certain period of time.

**ON**

The default value is 6 per hour.

 A SKU on my Amazon UK account is in a Price War when it...

Goes down in price more than  times in

☒ Use this setting for all my marketplaces below

Source: <https://www.youtube.com/watch?v=DkmuUZ2Lvds>

 repricerexpress

## Repricing on Amazon: How to Avoid a Price War



We all know price has a lot to do with winning a share of Amazon's Buy Box, but perhaps merchants place a little too much importance on price. Instead of worrying so much about having the lowest costs among your competitors, [RepricerExpress](#) recommends [avoiding a price war](#) as a technique for coming out on top. It rarely works out for the best, and we'll take a look at why that is.

Source: <https://www.repricerexpress.com/avoiding-price-war-on-amazon/>

# Pricing algorithms and communication in public fora

***“The race to the bottom - EVERYONE LOSES. Please read***

*I am here to teach you all some things. (...)*

*The race to the bottom is a race that EVERYONE loses. **STOP REPRICING YOUR STUFF INTO OBLIVION.***

*What do I mean? I mean when you reprice your product to a penny below the next person. Then that person reprices his price to a penny below you. Then the next 5 guys all do the same thing, then you log in one day and see that you’re 10 cents above everyone else, so you drop your price 11 cents and the cycle begins all over again...*

*This happens until SOMEONE realizes they’re pointlessly losing \$1 per unit and stops, then the next guy realizes he’s losing \$1.01. Then the next guy realizes he’s losing \$1.10... But guess what. **NONE** of you will reprice UPWARDS to recover that lost dollar because you worry the next guy won’t do the same - which he probably won’t because he’s fearing the same thing as you.*

*So **why the repricing? It’s because these novice sellers** (...) think that by repricing a penny below the lowest person will magically make your sales sky rocket. I have news for you. It **WON’T.** (...)*

*So please people, remember these two points when you do competitive repricing. Consider these following alternatives to **penny wars**:*

***MATCH the lowest person’s price rather than attempting to undercut them. Undercutting is a win for no one other than the buyer, who will save a few pennies on your price, but you’ll lose hundreds because you have 800 of them in stock.”** (emphasis added).*

Source: noober0x, March 2015;

<https://sellercentral.amazon.com/forums/t/the-race-to-the-bottom-everyone-loses-please-read/32676>, accessed on 3 June 2019.



# Pricing algorithms and communication in public fora

## “Repricers and their perils

*This is just a rant.*

*So there is a new seller on some of my best selling listings and he is FBA and has the repricer set to undercut. Other's have set to match. So this guys undercuts and others match. Result: **very fast march to bottom!** I know very well their price points and **am shocked to see sellers being so irresponsible**. This seller is new, I get it but the other more experienced sellers also seem to have no bottom price. On listings where there are good number of FBA sellers, now it is going to take months for it all to clear out. I can set 10% lower and they will come down fast, but I do not want to keep doing it as I do not want to risk any policy violation! I have heard of how repricers are dangerous and can set ur price to a penny, but I feel the most dangerous aspect of repricers is their use by people who do not know their margins!*

*I know that talking pricing is illegal and will not do so. But can I contact this crazy seller and just tell him this:*

*«Hello,*

*I see u have a repricer on that undercuts the lowest FBA offer. **When u undercut, the others match, and then u again undercut and so on. The result is loss of profitability for everyone. Now your price is your choice and this message is in no way an attempt to fix pricing.** You set your price to whatever you like but **I just wanted to send you a message on what I observed on the listings you are on and share my thoughts with you.**»*

*Please advise me if it will be OK to send such a message or is it considered an attempt at price fixing. (...)*”. (emphasis added).

Source: sellsome, March 2016;

<https://sellercentral.amazon.com/forums/t/repricers-and-their-perils/158542>, accessed on 3 June 2019.



# Remove legislative barriers or incumbents' behavior



# Promoting a regulatory environment which is pro-competition

The AdC publishes **market studies and sector inquiries** to identify possible restrictions to competition in the markets or economic sectors concerned, which result in:

- **Characterization of market dynamics** and competitive **conditions** of a given market;
- **Recommendation** of measures to promote competition in cases where competition constraints that do not result from infringement of competition rules are identified , but still lead to potential damage to consumers and to the competitiveness of the national economy;
- Promotion of the ***ex officio* investigation of anticompetitive practices** in cases where restrictions to competition may be found to substantiate a breach of competition rules.

## Technological innovation in the financial sector



The application of technologies to the financial sector - **FinTech and InsurTech** – creates important opportunities to increase competition, innovation and consumer welfare.



The AdC assessed the entry conditions of new FinTech operators focusing on **payment services** and **crowdfunding**, as well as **regulatory regimes promoting innovation**.



In October 2018, the AdC published na **Issues Paper** identifying barriers to entry and expansion in the financial sector, and **recommending measures** to promote innovation and competition

# PSD2 – Data access and data portability

- AdC Issues Paper develops on the **pioneering example of data portability: PSD2** (Second Payment Services Directive)
- **PSD2 requires that banks grant access to client data to Third Party Providers (e.g., FinTech start-ups)**, upon client consent, according to Regulatory Technical Standards approved by the EC.
- Setting up regulation and standards for data portability encompasses challenges
- The AdC has published in 2018 a **FinTech Issues Paper**, identifying a risk of foreclosure of access to data to FinTech newcomers, by incumbent banks.
- E.g., **incumbents could exploit consumer inertia** by creating unnecessary hurdles in the customer journey for giving consent; curtailing coverage of data provided; among others
- AdC recommended that secondary regulation (to follow PSD2) should account for these aspects, as these strategies may hamper competition by newcomers
- E.g., Guiabolso investigation in Brazil (<https://bit.ly/2mDm4Gc>)





# Behavioral considerations

- The AdC emphasises the role of behavioral considerations
- **Consumer behavioral biases** may play in curtailing competition in digital markets.
- It is often said that “**competition is a click away**” (e.g., Eric Schmidt from Google).
- But it may rather be that “**exclusion is a click away**”:
  - Adding extra steps to access a product
  - Deranking results in search results pages
  - Default options

Heatmap of where people look in search results pages  
“F pattern”



Source: <https://www.nngroup.com/articles/f-shaped-pattern-reading-web-content/>

## Other advocacy initiatives

- **AdC/OECD Project:** Competition Impact Assessment – Transport and Liberal Professions
- Report on the **Ports Sector**
- Analysis of the **Road Fuels Sector**
- Report on **Public Passenger Transport Services by Car Hire**
- Sector Inquiry on **Natural Gas**
- Sector Inquiry on **Bottled LPG**
- **Opinions** to sector regulators, Government and Parliament, among others

# Discuss with us

## OPEN SEMINARS

The AdC hosts monthly seminars open to the public with national and international specialists in competition law and economics.

**Prémio AdC de  
Política de Concorrência**  
AdC Competition Policy Award

The **AdC Competition Policy Award** distinguishes articles in competition law and economics with the objective of promoting research in these fields.  
**2020 – Competition Economics**



**CompCast - Competition talks** is a podcast series of conversations with national and international competition policy specialists on hot topics in competition policy.



Our Competition Library, at the AdC building, is the largest collection of books, journals and articles on competition policy in Portugal.

# Follow us



Subscribe to our monthly English language newsletter **AdC News** to receive on AdC decisions, studies and recommendations, events and other advocacy initiatives as well as other issues in competition policy.



Follow the AdC on **LinkedIn** to stay up to date with our most recent news, including decisions, studies, recommendations, advocacy initiatives, as well as recruitment and internship opportunities.



The **Fair Play - With competition, everybody wins.** campaign seeks to raise awareness of the benefits of competition in various as well as the rules of competition.



Listen to the podcast series **CompCast - 2 minutes of competition** on competition policy and how the AdC defends and promotes competition in Portugal.

# Join us

## **Internships for Credit** - all departments

Duration: minimum limit of 2 months

During bachelor degree or master's degree

## **Professional internship** - all departments

Duration: usually with a maximum limit of 1 year.

Bachelor degree and/or master completed no more than 2 year

## **Permanent positions**

Publicized on our website

### **Intern Profile**

#### **What we value:**



Alignment with our culture

Connection with our purpose

Higher education

Interest in law and competition economics

Fluency in English

## **Join us**

Find out more about professional opportunities at the AdC  
Recruitment and Internships





# Avoiding significant impact on effective competition – merger control



**Merger** – long lasting change in control on at least part (or the whole) of a firm or firm’s assets, as a result of an acquisition or merger of the share capital.

**Notification Thresholds** – if met, the merger cannot be implemented without prior approval by the AdC

## A merger may:

- Strengthen market power and lessen competition – as a result, prices may increase and quality and choice may decrease
- Entail efficiencies – that are considered in the AdC’s competitive assessment if merger specific, quantifiable and verifiable
- Be cleared, if the AdC’s assessment allows concluding that it causes no significant harm to competition
- Be blocked or cleared subject to remedies if the AdC identifies competition concerns



# Case Study – Altice (MEO) / Media Capital



Main concern: **Input foreclosure**

MEO could stop Media Capital broadcasting TVI channels via competing pay-tv platforms.

This could mean less choice of channels for viewers using NOS, Vodafone and Nowo.

## How did we assess whether there was a risk of input foreclosure post merger?

- Vertical arithmetic for total input foreclosure scenarios
- Static Nash Bargaining Model for partial input foreclosure scenarios

## Data & Sources

- Incremental Margins downstream units (MEO & MEO's rivals)
- Departure rates and diversion ratios - Consumer Survey & Historical data
- Audience Impacts - Independent audit body & Detailed view behaviour

# Case Study – Altice (MEO) / Media Capital

## What did we conclude?

- **Total input foreclosure** profitable to merged entity in most scenarios
- **Partial input foreclosure** (raising rival's costs) is also profitable to the merged entity in all scenarios
- **After the merger, total surplus from agreement is positive**
  - Payoffs were higher under an agreement between Media Capital and MEO's rivals to provide TVI channels but at **MUCH** higher prices
  - Merger strengthens Media Capital's bargaining position vs. MEO's rivals in all scenarios, but particularly when total foreclosure is a credible threat
- Profit to the merged entity is higher under partial input foreclosure and thus most likely outcome