

Turning the tide: the role of competitive markets in Canada's economic recovery

- *As Canada's competition expert, the Competition Bureau (Bureau) is working to ensure that Canadians are protected from anti-competitive conduct and deceptive marketing during the COVID-19 pandemic and that governments are equipped to develop, support and enable competitive markets as they look towards Canada's post-crisis recovery.*
- *Policies that support competition can accelerate Canada's post-pandemic economic recovery by stimulating entry by new businesses, productivity and innovation. Competition serves to empower consumers and drive the competitiveness of Canada's economy over the long-run.*
- *Governments can aid Canada's economic recovery by reinforcing a strong culture of competition, where businesses are driven to grow and innovate, and the Canadian economy can fully embrace its competitive advantage.*

The COVID-19 pandemic has had a profound impact on Canada's economy. Due to necessary health-driven responses to the pandemic, many businesses have temporarily closed or significantly reduced services offered. In this new environment, governments are working to get the economy back on track with policies aimed at stimulating economic growth, innovation and job creation.

The Bureau, as an independent law enforcement agency, ensures that Canadian businesses and consumers prosper in a competitive and innovative marketplace. As part of its mandate, the Bureau promotes and advocates for the benefits of competition¹ based on the guiding principle that competition is the best way to improve choice, lower prices and spur innovation.

To help support Canada's economic recovery, the Bureau's response to the crisis is two-fold. First, the Bureau remains vigilant in protecting consumers, businesses and government spending from anti-competitive conduct during the pandemic. Second, the Bureau serves as a trusted advisor on the competition impact of policymaking as we look towards Canada's post-crisis recovery.

Protecting consumers, businesses and government spending from anti-competitive conduct

Maintaining consumer confidence throughout the pandemic, and beyond, is critical to stem the effects of the ongoing demand crunch and set the stage for a healthy rebound. That is why the Bureau continues to guard against anti-competitive activity, such as deceptive marketing, price fixing and bid rigging in public procurement. In recent weeks, the Bureau has issued warning letters² to a number of businesses seeking to profit from the misinformation and fear surrounding COVID-19 by selling products

¹ See sections 125 and 126 of the [Competition Act](#), R.S.C., 1985, c. C-34.

² See Competition Bureau, [Competition Bureau cracking down on deceptive marketing claims about COVID-19 prevention or treatment](#), May 6, 2020.

purporting to prevent, treat or cure the disease. Fortunately, most of these businesses have already responded by taking corrective action.

Business confidence is equally important. Businesses are consumers in their own right, and when collusive or abusive behaviour occurs across supply chains, businesses suffer from higher input costs and scarcity of supplies. The same start-ups and small and medium-sized businesses vulnerable to anti-competitive conduct by larger competitors in normal times are at even greater risk in the current crisis. It is more important than ever that the Bureau remain vigilant in its marketplace monitoring efforts, and it is working to step up its intelligence capabilities in areas related to the COVID-19 crisis. The Bureau also recognizes the value of business certainty and the need to adapt in these unprecedented times. The Bureau's COVID-19 Competitor Collaboration Guidance³ provided businesses with general guidance on competitor collaborations to support the crisis response efforts and is offering more specific guidance on an expedited basis where needed.

Evidence shows that illegal bid-rigging can raise public spending on contracts by 30% or more,⁴ which is why safeguarding competitive procurement processes has been a perennial enforcement priority for the Bureau for many years. This work will take on even greater importance as governments seek to boost infrastructure investments or procure critical goods. The Bureau has active working relationships with a wide range of public procurement bodies across Canada and is focussing its outreach work to ensure they have the tools they need to prevent, recognize and report instances of bid-rigging.

Lastly, it bears noting that the COVID-19 pandemic has highlighted two important areas that continue to be top priorities for the Bureau: (i) the importance of ubiquitous, high-quality broadband and wireless networks that are accessible and affordable to all Canadians; and (ii) the ever-increasing dependence of Canadians on large digital platforms. Both are critical for Canadians to communicate, learn, do business and shop for goods and services online. Ensuring these markets are devoid of anti-competitive activity and served by pro-competitive policies to the benefit of all Canadian consumers and businesses is more important than ever.

Promoting pro-competitive policies as a key driver of Canada's economic recovery

Government policies that support competitive markets can accelerate economic recovery. Competition is a key catalyst of productivity⁵ – it attracts investment, stimulates the creation of high-skilled jobs and fuels exports of Canadian products, services and ideas.

Studies estimate that Canada could realize a 4-5% boost in productivity through pro-competitive regulatory reform and reduced barriers to entry.⁶ Countries that have taken steps to enact pro-competitive regulation are reaping the benefits. A 2005 study by Australia's Productivity Commission

³ See Competition Bureau, [Competition Statement on Competitor Collaborations During the COVID-19 Pandemic](#), April 8, 2020.

⁴ See Competition Bureau, [Bid-rigging detection and prevention: ensuring a competitive and innovative procurement process](#), November 7, 2017.

⁵ Competition and Markets Authority, [Productivity and Competition](#), July 9, 2015.

⁶ Crette, G., Lopez, J., and Mairesse, J. (2018), [The impact of regulation on rent creation, rent sharing, and total factor productivity](#), Vox CEPR Policy Portal.

estimated that pro-competitive reforms initiated in the mid-90s boosted GDP by 2.5% and raised average household incomes by \$7,000 AUD.⁷

Experience from past crises indicates there will be considerable pressure on governments to shore up domestic industries through a variety of supportive and protective measures. The Bureau does not believe these policies and competition have to exist at cross-purposes, and the Government can strike a fine balance between long term policy implications and very real short and medium term concerns. That being said, policies to restrict competition have tended to deepen economic recessions and delay recoveries, and such actions can be difficult to reverse.⁸

Competition-friendly policies can aid economic recovery by stimulating entry, productivity and innovation, and allowing the process of economic adaptation to quickly run its course. In short, a sustained focus on competition can help promote economic recovery that is more “V-shaped” than “L-shaped”.

To promote competition and accelerate economic recovery, policies should minimize barriers to entry and expansion. Following an economic downturn, markets in which businesses can easily enter and expand are likely to recover the fastest. Obstacles that make it more difficult for businesses to enter into or expand in a market diminish competitive intensity and slow growth. When businesses are faced with the risk of a new entrant stealing customers, they are pressured to continually innovate, improve their efficiency, and keep prices low. Temporary, protective government policies that increase barriers to entry and expansion, such as exclusivity rights and trade barriers, may be required during the pandemic, however they can deter economic growth and recovery if they remain in place longer than necessary after the crisis.

As Canada’s competition expert, the Bureau can assist regulators and policymakers in understanding the impact that regulatory proposals can have on competition. The Bureau is developing guidance to regulators and policymakers, based on international best practices set out by the Organization for Economic Cooperation and Development (OECD), to guide governments across Canada in developing, supporting, and enabling competitive markets. It also intends to monitor industries particularly affected by the crisis and consider opportunities to foster entry and expansion.

Canada’s highly skilled workforce, strong infrastructure, and social stability position it well for a swift economic recovery. Governments can help aid this process by reinforcing a strong culture of competition, where businesses are driven to grow and innovate, and the Canadian economy can fully embrace its competitive advantage.

⁷ Australian Productivity Commission, [Review of National Competition Policy Reforms](#), February 28, 2005.

⁸ International Competition Network, [The Case for Competition Policy in Difficult Economic Times](#), October 9, 2009.