

On the alleged invisibility of the Dutch construction cartels

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Plan de campagne

- Background info
- Errors of type II (methods and findings)
- Alternative methodologies
 - Secret records
 - Combinations
 - Product market inertia
- Lessons/suggestions

Methods and findings 1998-2001

1. On site expectations (1999)
2. Scorekaart risico's op marktfalen. Een methodiek ter identificatie van risicovolle productgroepen, EIM Zoetermeer, 2000
3. SEO/TNO Statistisch onderzoek naar prijs en kostenontwikkeling in de bouwsector, Amsterdam 2001
4. PWC, De aanbestedingspraktijk van de Rijksoverheid in de periode 1996 - 2001 Resultaten van het kwantitatieve onderzoek Almere 2002
5. Zembla (Dutch television; whistle blower)
6. Parliamentary hearing committee
7. Tsunami of 486 leniency applicants

So, the end of industrial economics?

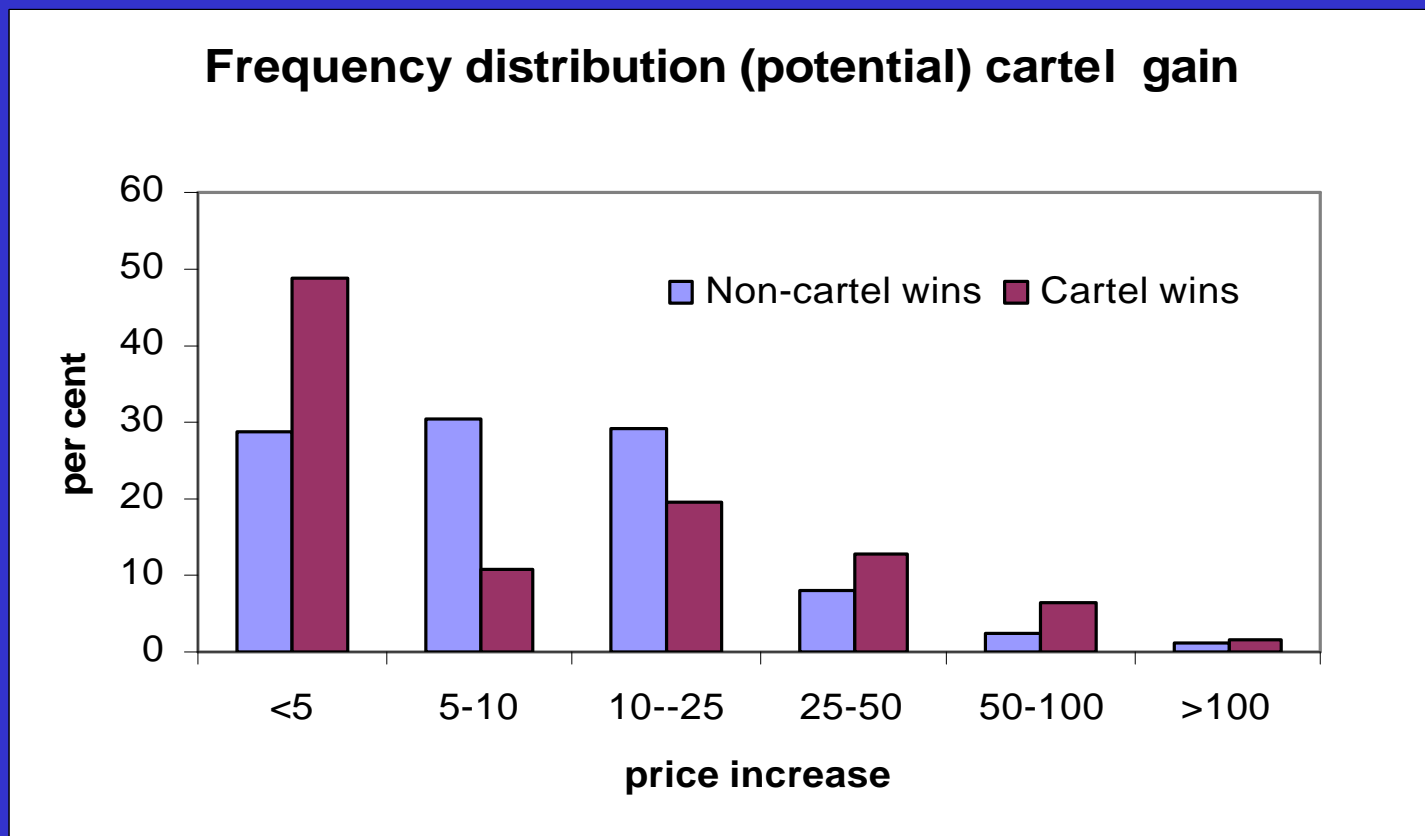
Not the end...

- Wrong methodologies give wrong answers
 - Relevant market
 - Bench mark/control group
 - Time series analysis
- Three alternatives: secret accounts, combinations, product market inertia
- Probably, rather a start

Secret accounts

- > 3000 bids
- > 11.000 text lines (digitalized by DoJ)
- 1986-1998
- Independently coded by pairs of assistants, supervised by project manager
- Legal check including open sources
- Cross check (accounts other firms)

I Analysis of secret accounts

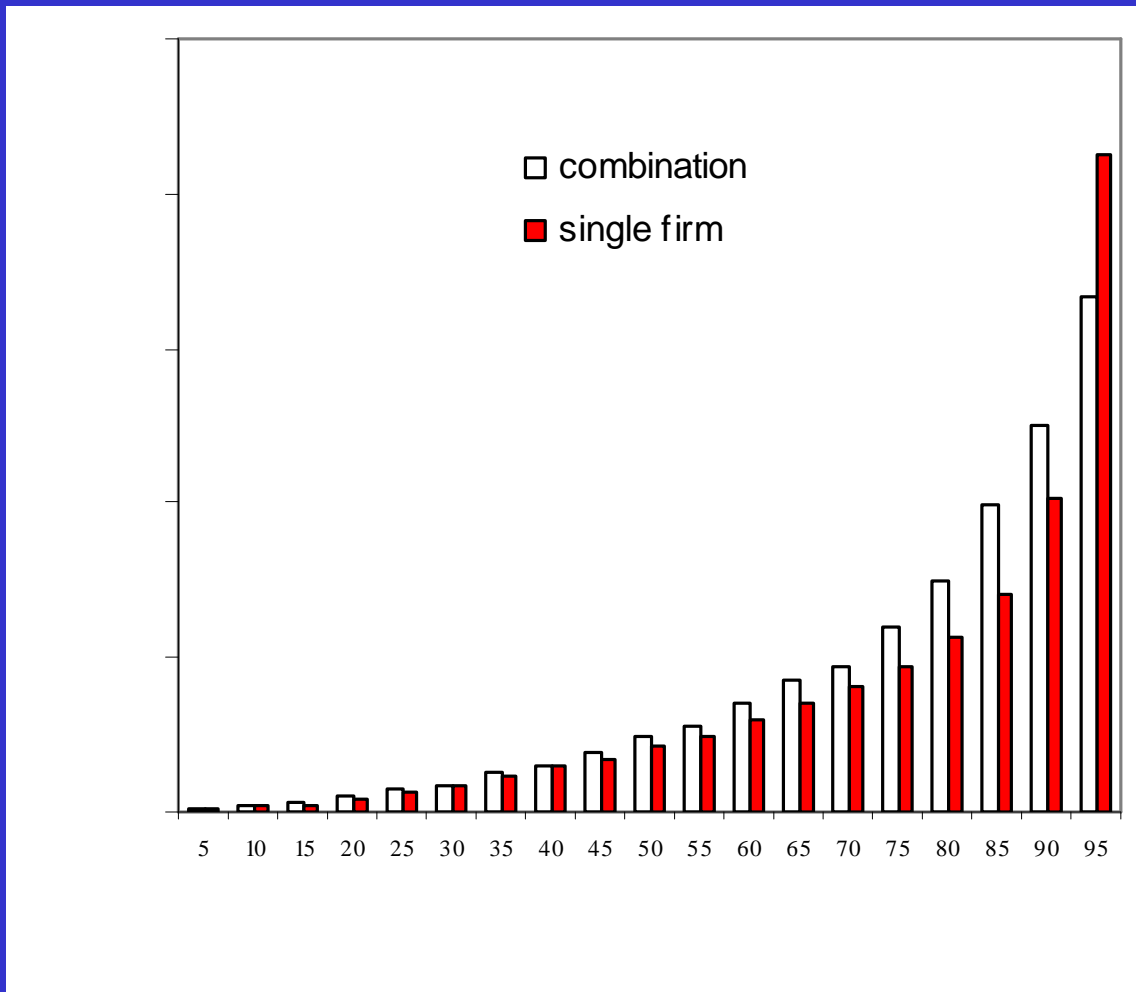


I Price increase (legal evidence)

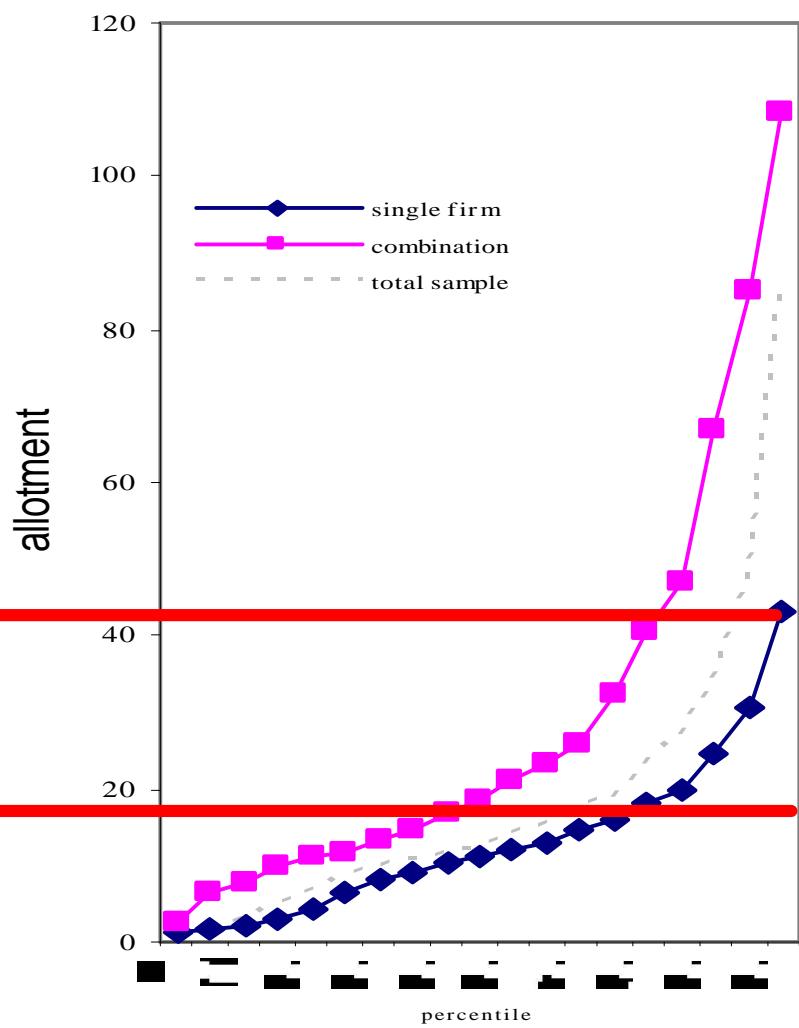
Case	Side payment (thousand euro)	Price increase*
3687	3	10
3692	10	8
3691	35	35
3690	50	14
3689	200	19
Unweighed Average	60	17

II Combinations

Turnover/allotment ratio (percentiles)



II. Combinations



II. Combinations

Index numbers (holding turnover/project size) and combinations (average combinations = 100)

	Combinations	Individual bids
<i>N</i>	634	785
Max.	990	1600
Median	51	45
Average	100	46

III Product market inertia (hysteresis)

$$P = a_1 ULC + a_2 PM + a_3 Q + a_4 ? Q + a_5$$

$$PMIC = a_4 / (a_3 + a_4)$$

P = Price level domestic demand

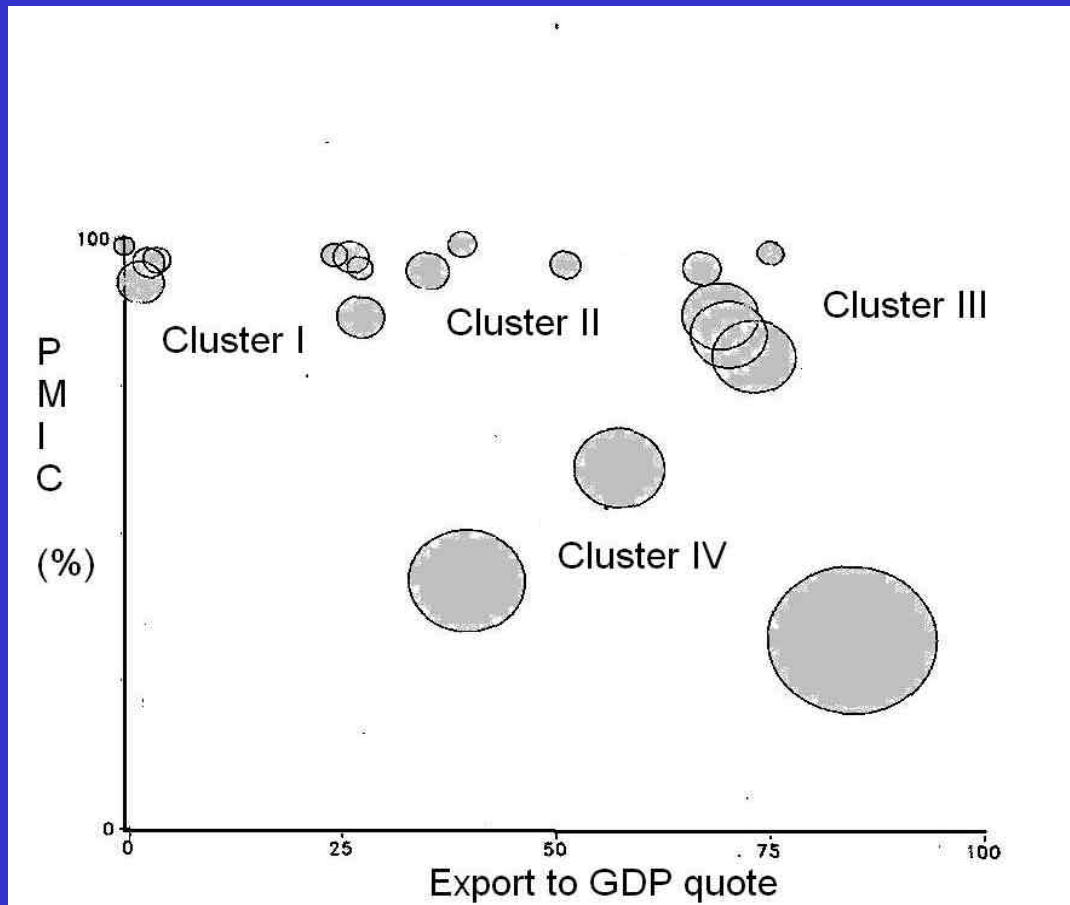
ULC = unit labour cost

PM = import price level

Q = level of capacity utilization

Bergeijk et al, 1993, Measuring the speed of the invisible hand: *Kyklos* 46, 529-544.

III Product market inertia



Cluster I
 Closed sectors
 with substantial
 market inertia:

medical services,
 banking,
 insurance and
 construction
 (several
 segments)

Conclusions

- Forensic economics adds value
 - Ex ante detection
 - Priority setting
 - Transparency and accountability
- False and inefficient methodologies remained on the market because of a lack of completed antitrust activities
- A Dutch research agenda will be relevant and realistic at this point of time.