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Request for Proposal: The Nature and Impact of Hard Core Cartels

1. Background

The Danish government has set up a committee with a mandate to assess a number of issues related to the Danish Competition Act and processes within the Danish Competition Authority. Among others, the committee must assess whether imprisonment in cartel cases may strengthen enforcement of the competition rules in Denmark.

KONKURRENCESTYRELSEN

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ERHVERVS MINISTERIET**

Today, hard core cartels are sanctioned with fines in Denmark, while other economic crimes such as fraud, tax fraud, piracy and embezzlement may result in fines and imprisonment for up to eight years.

To support the exchanges in the committee, the Danish Competition Authority is asked to write a report on the nature and impact of hard core cartels.

2. Analysis

The purpose of the analysis is to survey *existing* literature on the nature and impact of hard core cartels and how that may differ from other forms of economic crime such as fraud, tax fraud, piracy and embezzlement. The analysis is divided into two parts.

I. Main characteristics and effects of hard core cartels

This part must discuss the following questions.

- How are hard core cartels initiated and maintained? This question may, for example, consider the importance of personal relations between cartel members.
- What are the motives for engaging in hard core cartels? This question may be answered by referring to for instance the law and economics literature on expected gains and punishment.
- How harmful are cartels compared with other types of anticompetitive conduct? Do cartels offer legitimate economic benefits that would justify possible consumer harm?
- What are the consequences from hard core cartels on, e.g., prices, innovation and consumer welfare quantitatively as well as qualitatively? How does consumer harm related to hard core cartels compare to the harm from other types of anti competitive conduct?

The awarding authority expects a survey that takes into account both quantitative and qualitative results from existing literature.

II. Other economic crimes and hard core cartels

This part must discuss differences and similarities between hard core cartels and other economic crimes such as fraud, tax fraud, piracy and embezzlement. Especially how the harm related to other economic crimes compare to the harm from hard core cartels. This question may consider differences in how the harm materialise, i.e. does the crime harm specific consumers or does it harm a broader spectrum of consumers.

This part may be answered more qualitatively, but quantitative results are also of interest.

3. Timeline etc.

The analytical work must be reported in written form with a survey of up to 25 to 30 pages, including an executive summary. Background documentation must be available to the Danish Competition Authority at request.

The report may be written in Danish or English.

The Danish Competition Authority may want to publish the report.

The survey is due 15th June 2010. There will be arranged a mid term review of the survey around 30th May. Initially there will be organized a kick-off meeting with the Danish Competition Authority where the exact form of the task is defined.

4. Proposal requirements etc.

Proposals should include:

- A brief methodology description
- A synopsis for the report
- Price on task performance
- A schedule for the analysis with description of important milestones
- A description of experience with similar tasks
- Curriculum vitae of key personnel assigned to the analysis

If key personnel assigned to the analysis are replaced the consulting agency must explain why, and designate a new employee with at least the same qualifications as the former employee.

5. Contact Information

Proposals must be sent by e-mail to Head of Division Søren Gaard, sg@ks.dk, by 21 April 2010. Questions may be directed to Søren Gaard, phone +45 7226 8041.