



Competition Bureau
Canada

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SPEAKING NOTES

for

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How Accurate Information Benefits the Tourism Industry

**Livingstone Chamber of Commerce
Zambia**

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Canada

It is a pleasure to be here with you today. As more and more tourists seek to travel to destinations far from their home and to enjoy rich cultural experiences, business entrepreneurs have many opportunities. However, as the tourism industry expands, so will the number of businesses entering the marketplace to offer services to tourists, stimulating competition for customers.

While most businesses will work hard to gain customers and to remain competitive - and will do so fairly - other businesses will use illegal business practices to try to increase their profits. For instance, a company may use misleading advertisements and make false statements to lure customers. This lack of accurate information will hinder the proper functioning of a marketplace and may have an overall negative impact on a tourism industry. Misleading advertising causes serious harm to the economy - in terms of direct and indirect losses to both consumers and competitors.

Before engaging in further detail, allow me to first introduce you to the Canadian Competition Bureau and to the four main enforcement elements of our *Competition Act*.

Introduction to the Canadian Competition Bureau

The Competition Bureau is a government law enforcement agency responsible for the administration and enforcement of the *Competition Act*. Its role is to encourage competition to promote efficiency and adaptability in the Canadian economy. The Bureau aims to increase the number of opportunities available to Canadian businesses to enter the world market without

neglecting the role of foreign competition in Canada. In addition, our legislation, the *Competition Act*, ensures that small and medium-sized firms have equal opportunity to participate in the Canadian economy. Fair competition leads to competitively priced goods, product choice and quality services.

The Bureau has four main enforcement roles. Firstly, it investigates criminal anti-competitive activities such as price fixing and bid rigging. These have been described as the most egregious forms of anti-competitive conduct and are taken very seriously. In short, these acts destroy markets and competition. Stiff penalties such as fines and/or prison sentences can be imposed upon those who choose to engage in this type of behaviour.

Secondly, the Act provides the Bureau with the right to review and contest mergers in order to prevent excessive market concentration. Only larger mergers must be notified to the Bureau, and these mergers are very carefully analysed to ensure that we act only where the merger will result in a substantial lessening of competition.

The third part of the Act covers certain anti-competitive business practices that may emerge when a market has become highly concentrated. These include practices such as abuse of dominant position and refusal to deal. As with mergers, we are particularly careful to differentiate business practices that support, or are part of intense and vigorous competition, from those with the effect of precluding competition.

This brings me to the fourth element of our mandate, which is to preserve the integrity of the

marketplace, and, in particular, marketplace information. The Bureau is a referee for the marketplace, drawing the line between anti-competitive conduct and vigorous competition. In this role, the Bureau also ensures that businesses provide accurate information when marketing their products and services.

Indeed, today it is impossible to open a newspaper, switch on the television or surf the Internet without being bombarded by advertisements selling products. Advertising is a fundamental way to drum up business. Unscrupulous advertisers knowingly mislead customers and break Canadian law. Typical examples of false or misleading representation related to the tourism industry are the misuse of images, and price-related misrepresentations such as hidden or additional charges.

Making sure such incidents don't happen is the responsibility of the Bureau. Our mandate in this area is to promote fair competition in the marketplace by discouraging deceptive business practices and by encouraging the provision of sufficient information to enable informed consumer decisions.

To put this in perspective, recently, the Bureau won a landmark case against one of Canada's largest and most trusted retailers, Sears Canada Inc. The case was heard by the Competition Tribunal, the adjudicative body that hears and decides applications made under certain provisions of the *Competition Act* dealing with deceptive marketing practices, refusal to deal, exclusive dealing, tied selling, market restriction, abuse of dominant position and mergers. The Tribunal operates independently of any government department. The case involved allegations

that Sears was engaged in deceptive marketing practices in the sale of tires. In finding that Sears had indeed engaged in deceptive marketing practices, the Tribunal recognized that the *Competition Act* seeks to encourage and maintain competition by improving the quality and accuracy of marketplace information and by discouraging deceptive marketing practices. The Tribunal went on to recognize the evidence before the Tribunal concerning the significant harm to consumers, business and competition caused by deceptive advertising. It also found that deceptive "...advertisements from one retailer can result in negative goodwill to competitors who advertise in a non-deceptive manner."

The Benefits of Competition

You might wonder: if all businesses provided accurate information, what are the benefits? Allow me to answer this by first providing some background. Laws that protect consumer interests and prompt businesses to be competitive are necessary for a competitive economy. These are mutually reinforcing as they both serve the same objectives: the maintenance and encouragement of competitive markets, the enhancement of consumer choice. Competition law serves consumer interests by ensuring that markets are and remain competitive, thereby urging lower prices and product choice. Conversely, the law serves the interests of competitive markets by ensuring that markets are and remain fair to all players.

What's more, markets only function properly if there is confidence in the marketplace and this is spurred by accurate information. Misleading, inaccurate, or unclear consumer information hinders a market's ability to function properly. In the long run, they can harm and weaken an industry.

Naturally, in any competitive market, some individuals will do better than others. But there are many benefits in that environment. Firstly, consumers gain confidence in the marketplace when businesses provide accurate information through marketing their products and services. Secondly, the businesses' ability to adapt and compete for global customers becomes strengthened. Thirdly, small and medium-sized enterprises have an equitable chance to compete and participate in the economy. Consumers benefit from competitive prices, product choice and quality services when they have more enterprises competing for their business. Society as a whole benefits from the stimulus of competition.

How Accurate Information Will Benefit the Tourism Industry

Now let me turn to how accurate information will benefit the tourism industry. By now, you have a good understanding that accurate information benefits competition. Similarly, misleading advertising hurts other business operators, the marketplace and even the reputation of your country.

It only takes one tourist having a negative experience to hurt a business's reputation, which may in turn affect Zambia's entire tourism industry. Thanks to modern communication technology such as the Internet, tourists have more tools enabling them to share and access information than ever before, providing disgruntled or misled tourists with a loud voice and a large audience. Through the Internet, news can be shared quickly in real-time and can just as quickly ruin corporate and brand reputations. If travellers get wind of other travellers being misled, they may hesitate to go through certain tourism agencies and opt to use external agencies to meet their

travel and vacation needs.

Let me try to illustrate this in a real life example. I recently heard a story of a couple who booked a trip to a resort in Latin America. The advertisement stated that the resort was next to water. Arriving in this country, they found that their resort was not located along the coast as they expected but rather inland. The “water” was close to the resort, but the advertisement did not indicate that the body of water was crocodile infested. I don’t know about you, but if I knew this ahead of time, I would hesitate to go to this resort. As you can imagine, this couple was very upset and complained to the resort on being misled. They had to spend additional money and find another resort to meet their needs. The couple provided this negative publicity by word of mouth to other Canadians. A tarnished reputation is detrimental to a business because tourists will place their trust in its competitors.

The Internet can also be an ally to a tourism operator. I surfed the Web for travel comments on Zambia and found numerous positive ones. When travellers get the experience they expect and have an enjoyable trip, they will post positive comments. This in turn will strengthen the tourism industry as a whole, stimulating growth because more travellers will have confidence in the reliable product or service. This will increase overall demand for travelling to Zambia. Again, this will allow you to have greater access to customers, which will benefit the stability and profitability of your industry.

Competition Culture

So, how else can competition benefit your industry? In Canada, we have invested a lot to create

a healthy competition culture. Competition culture refers to the awareness and belief in competition law shared by both consumers and businesses. As I mentioned earlier, one of the Bureau' primary roles is to inform the public about the competition law through advocacy and an effective communication strategy.

Moreover, accurate advertising provisions are often in line with those of other countries, fostering opportunities to access a world of potential customers since people expect similar legal standards as those in their own country.

In Canada, the Bureau has created pamphlets on misleading advertising which include the “dos and don'ts” of advertising. I have some of these pamphlets to share with you today.

Here, the Zambian Competition Commission also plays an active role in building a competition culture. The Commission has held consumer awareness seminars and presentations to various business and trade associations. The business community also has the opportunity to input and work with the Commission to strengthen the competition culture. You have a responsibility to arrange your affairs so that your advertisements don't cross the line. The Commission can help you do that, by explaining your obligations under the Act, and by providing guidance on the tools necessary to achieve ongoing compliance. If you have any questions or concerns over any business practices, you should contact the Commission for information. You can also find useful information on the Commission's Web site.

Conclusion

In short, choosing to use misleading advertising to attract domestic and foreign customers is choosing to place your own reputation and your industry at risk. By providing accurate information and advertisements you are doing more than meeting the expectations of tourists - you are casting a positive light on Zambia's entire tourism industry.

This builds consumer confidence, which leads to a healthy and vibrant marketplace - a market where your customers can make informed decisions. Fair competition also strengthens the ability of businesses to adapt to and compete in global markets. It provides small and medium-sized enterprises with an equitable chance to compete and participate in the economy.

The ability to create a competition culture lies in the hands of the public and private sectors alike. Open communication with competition authorities is crucial to ensuring that businesses like yours and the consumers you serve understand the benefits of competition. We have a shared responsibility to protect the integrity of the marketplace and maintain consumer confidence, so you can do business and profit in a proper functioning market.