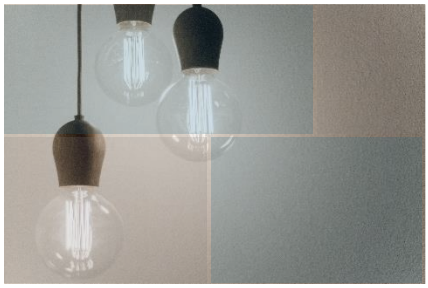


CRI

Centre for Regulatory Innovation

Regulatory Experimentation Expense Fund

Merger Intelligence

OVERVIEW

Organization:
Innovation, Science and Economic Development Canada (Competition Bureau)

Timeline:
Nov 2020 – Mar 2022

Funding:
$148,525

ABOUT THE REEF

CRI's Regulatory Experimentation Expense Fund (REEF) helps federal regulators conduct regulatory experiments and pilot projects, enabling them to test new approaches and technologies in real-world scenarios.

PURPOSE

The project aimed to test whether an IT tool could effectively scan public data to identify potentially harmful business transactions that fall below mandatory reporting thresholds. The tool would help the Competition Bureau detect and assess non-notifiable mergers and acquisitions that could negatively impact Canadian competition.

Context:

Under the *Competition Act*, certain business transactions must be notified to the Competition Bureau for assessment. However, non-notifiable transactions are not subject to this requirement, leaving potentially harmful transactions undetected. The Bureau sought to evaluate an IT tool to identify these high-risk transactions using publicly available data.

Learning objective:

The experiment sought to answer:

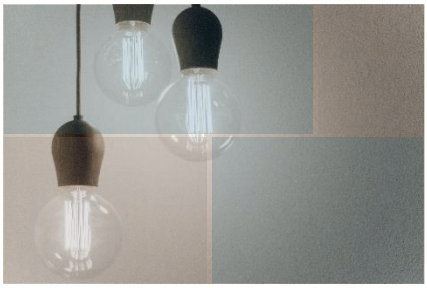
- Can an IT tool analyze non-notifiable transactions and provide meaningful insights?
- Can it detect anti-competitive transactions more efficiently than human review?

Experimental design:

Initial Approach: The Bureau planned to iteratively develop and test an IT tool, evaluating its ability to meet business requirements and functionalities.

Planned Experiment: The final tool was to be compared against human reviewers in a non-randomized experiment to assess performance and resource efficiency.

Adaptation: Due to a lack of cost-effective external providers, the Bureau shifted to internal development, leveraging in-house expertise. Validation by internal experts replaced the need for a full experiment.



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Outcome:

Feasibility Confirmed: Internal development demonstrated that an IT tool could effectively analyze non-notifiable transactions and provide actionable insights.

Cost-Effective Validation: Expert analysis confirmed the tool's potential value, eliminating the need for a formal experiment.

Operational Efficiency: By addressing initial uncertainties early, the Bureau avoided unnecessary allocation of time and resources to full-scale experimentation.

Next Steps: The Bureau now has a validated foundation to potentially integrate the tool into its operations for identifying harmful transactions.

Lessons learned:

Value of Early Research:
Initial research and expert consultations can uncover insights that address project uncertainties, potentially negating the need for full experiments.

Importance of Flexibility:
Adapting plans based on emerging information ensures resources are allocated efficiently and effectively.

Leveraging Internal Expertise:
Relying on in-house capabilities can be a cost-effective alternative to external providers, especially in specialized areas.

Structured Decision-Making:
Iterative assessments and clear decision points help streamline project progress and avoid unnecessary expenditures.

The Bureau successfully validated the feasibility of an IT tool for analyzing non-notifiable transactions without conducting a full experiment. By systematically testing ideas and adapting based on evidence, regulatory bodies can make informed decisions, optimize resource use, and build capacity for addressing complex issues.