



Regulatory Experimentation Expense Fund

Competition Bureau –
Innovation, Science and
Economic Development
Canada

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Merger Intelligence

Canada's *Competition Act* requires parties to certain proposed business transactions, such as mergers or acquisitions, to notify the Bureau prior to completing their transaction. The goal of this requirement is to allow the Bureau to conduct a competitive assessment of these proposed transactions that are deemed to pose a higher risk of causing significant harm to competition and Canadians and take actions when required.

Most transactions do not meet the notification criteria (non-notifiable transactions) and the Bureau suspects that some of these transactions are harmful to the Canadian economy and are not being detected by the Bureau. The bureau is considering developing an IT tool that would scan publicly available information on business transactions in real time to identify high risk transactions that do not require notification under the Act to better identify and address transaction that are harmful to competition.

Before investing significant resources into the development of such tool, the Bureau wanted to test whether such tool could be created and whether the tool could perform sufficiently well to add value to the Bureau's operations.

Questions:

- Can an IT tool be created to collect and ingest available data concerning non-notifiable business transactions and use the data to provide meaningful insights?
- Can the merger intelligence tool detect potentially anti-competitive non-notifiable transactions more quickly, efficiently, and effectively than human review?

The initial intention was to iteratively develop an IT tool that would be tested at set intervals to confirm whether the tool could meet the desired business requirements and functionalities. These tests were intended to determine the feasibility of creating the intended tool.

This was to be followed by a non-randomized experiment where both the final iteration of the tool and a selected staff from the Bureau would conduct the same screening tasks and their performance would be compared to determine whether resources are better invested in human reviewers, into the IT tool or a combination of both.

However, the Bureau was not able to identify a cost-effective provider to develop the desired IT solution and turned to an alternative development process using internal resources and expertise only.

After beginning to work with its internal expert, the Bureau was able to obtain confirmation that an information technology tool could be created to ingest available data concerning non-notifiable business transactions and use the data to provide meaningful insights and that the tool would perform sufficiently well to add value to the Bureau's operations.

Because it was able to address the initial uncertainty with the help of internal experts, the bureau did not require an experiment anymore and an experiment was not conducted. The Competition Bureau was able to address the uncertainties and validate their hypothesis using expert advice and did not need to use an experiment.

Lessons Learned:

It is possible that, in the course of planning/developing an experiment, research, consultation, advice from experts or other means are used and end up uncovering information or evidence that makes the experiment unnecessary. When this happens, it is best to evaluate and assess before spending additional time and resources into an experiment that is longer required.