Effects of Downsizing CCI

Why in news?

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The Union Cabinet recently approved rightsizing of Competition Commission of India (CCI) by halving the number of its members.

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What is the recent decision?

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- CCI currently has a chairperson and 6 members.
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- With the recent downsizing, it will now have a chairperson and 3 members.
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- The decision is in pursuance of the Government's objective of 'minimum government, maximum governance'.
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What are the proposed reasons?

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- **Workload** - The assets and turnover threshold for mergers and acquisitions (M&A) deals that would need CCI approval has been raised recently.
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- The raised threshold and low coverage would reduce the workload of the CCI.
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- **Time** - The corporate affairs ministry had also contended that the reduction would speed up the CCI’s work.
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- Few members would lead to faster turnaround in hearings that is expected to result in speedier approvals.
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- This is because all members in office have to sign on to an order, and 4

members would facilitate this faster than earlier 7.
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- **Decision making** - Downsizing especially reduces the scope for dissenting judgments.
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- **DG's Office** - The director-general’s office, the CCI’s investigation arm, with just 14 people, is undoubtedly understaffed.
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- It urgently needs more people to perform this critical role.
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- It is argued that CCI's downsizing could help expand the director-general’s office.
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- **Besides**, competition regulators in advanced jurisdictions in UK, US, Australia and Japan also have minimum possible members.
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Will downsizing benefit CCI?

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- **Process** - In CCI's case, the downsizing may prove counterproductive due to various factors.
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- The paperwork and processes that are required for companies to file for approvals remain voluminous.
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- How efficiently can a small CCI take up these is highly uncertain.
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- **Decision making** - If 7 members widened the scope for dissent, a quorum of 4 hardly diminishes it.
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- The question of a possible 2:2 tie and a deadlock in decision remains unaddressed.
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- Moreover, the law defines the chairperson as a member.
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- So the issue of a casting vote becomes contentious.
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- **Composition** - Technology is adding manifold degrees of complexity to commerce.
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- The global dimension of business today also requires sectoral expertise.

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- Global M&As may have unique local consequences or standard global practices may impact Indian consumers differently.
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- Given these, general expertise in corporate and M&A law increasingly demands specialist knowledge to supplement.
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- Thus, fewer CCI members may not provide scope for the addition of sector experts.
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- Sector experts working on a rotating roster of cases may serve the cause of the competition regulator better than a reduced CCI.
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- **DG's Office** - The two i.e. the CCI and the DG’s office have distinct functions.
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- So it is difficult to see why expanding one should prevent enlarging the other.
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- In all, in CCI's case, a reduction in members is less likely to serve the perceived cause of efficiency.
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Source: Business Standard

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