Protection of public interests in the Dutch notary profession

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Introduction

Focus on:

• Concept of public interests

• Dutch notary profession: economic data

• Policy on quality
Concept of Public Interests

Definition:
• Economically: based on market failure
• Politically: based on redistribution of income

Quality of the services and financial accessibility

Regulation of public interests:
• Effective and efficient
• Instrumentally (entry and conduct) institutionally
Dutch notaries: policy review

- 1999: New Act on Notaries: no tariff regulation family and business transactions (exemption: maximum price for lower income groups)

- 1999-2003: Phased liberalisation of tariffs for housing transactions

- 2004-2005: Evaluation Act on Notaries
Economic Data

• Level of competition

• Tariffs

• Geographical distribution
Economic Data

Level of competition

• Data on geographical distribution of notaries, gross profits and variable costs of a sample in 1996-2003

• Results (source: CPB, 2005):
  - Local market: no significant increase of competition
  - National market: competition significantly higher
Economic Data

Tarriffs of notarial services

Economic Data

Geographical distribution: inhabitants per office branche

<table>
<thead>
<tr>
<th>Region</th>
<th>1998</th>
<th>2000</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amsterdam</td>
<td>10.013</td>
<td>9.232</td>
<td>8.228</td>
</tr>
<tr>
<td>Drenthe (rural)</td>
<td>12.559</td>
<td>9.588</td>
<td>9.225</td>
</tr>
<tr>
<td>Roermond (rural)</td>
<td>14.801</td>
<td>13.306</td>
<td>13.124</td>
</tr>
<tr>
<td>National level</td>
<td>12.365</td>
<td>11.504</td>
<td>11.284</td>
</tr>
</tbody>
</table>

Source: Ministry of Justice (2004)
Economic Data

Conclusions:
• No significant increase of competition on local level (one off consumers)
• Increasing tarriffs of family transactions, but decreasing tarriffs on other transactions
• More branche offices in each region

No need for regulation aimed at geography
Policy on quality

• Will competition lead to lower quality due to information asymmetry for one off consumers?

• Dimensions of Quality:
  • Service level: observable
  • Juridical advice: non-observable
Policy on quality

Policy on quality should focus on:

- Developing observable indicators for consumers (service level, integrity)
- Self regulation on juridical advice by professional bodies (visitation, audits)
- Intensive public inspection on inputs and process (to prevent rent seeking)
Policy recommendations

1. Use concept of public interests

2. Empirical data helps to focus on facts: no need for regulation aimed at geography

3. Policy on quality comes with structural reforms