

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
- Tarriffs
- Geographical distribution



Economic Data

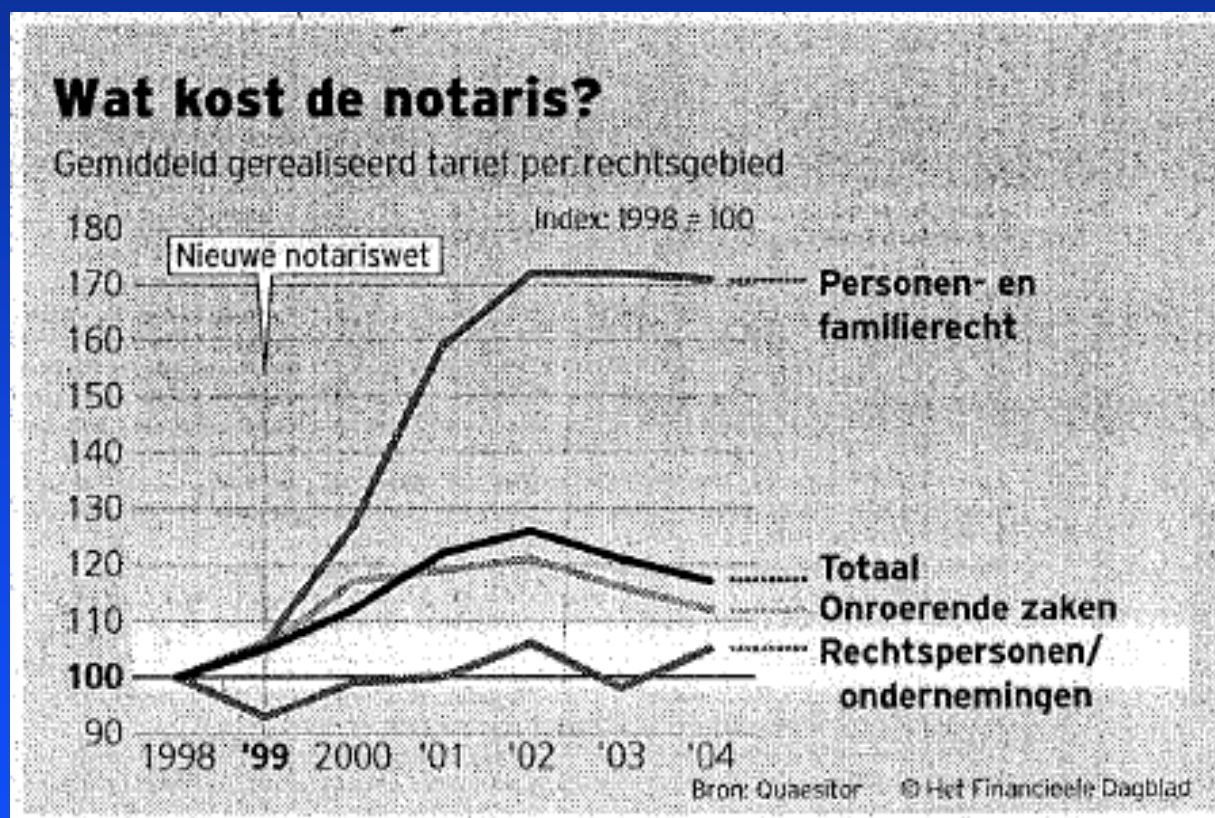
Level of competition

- 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

Tariffs of notarial services



Source: Quasitor (2004)

Economic Data

Geographical distribution: inhabitants per office branche

Region	1998	2000	2003
Amsterdam	10.013	9.232	8.228
Drenthe (rural)	12.559	9.588	9.225
Roermond (rural)	14.801	13.306	13.124
National level	12.365	11.504	11.284

Source: Ministry of Justice (2004)

Economic Data

Conclusions:

- No significant increase of competition on local level (one off consumers)
- Increasing tariffs of family transactions, but decreasing tariffs on other transactions
- More branch 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



