

# Market studies in the UK

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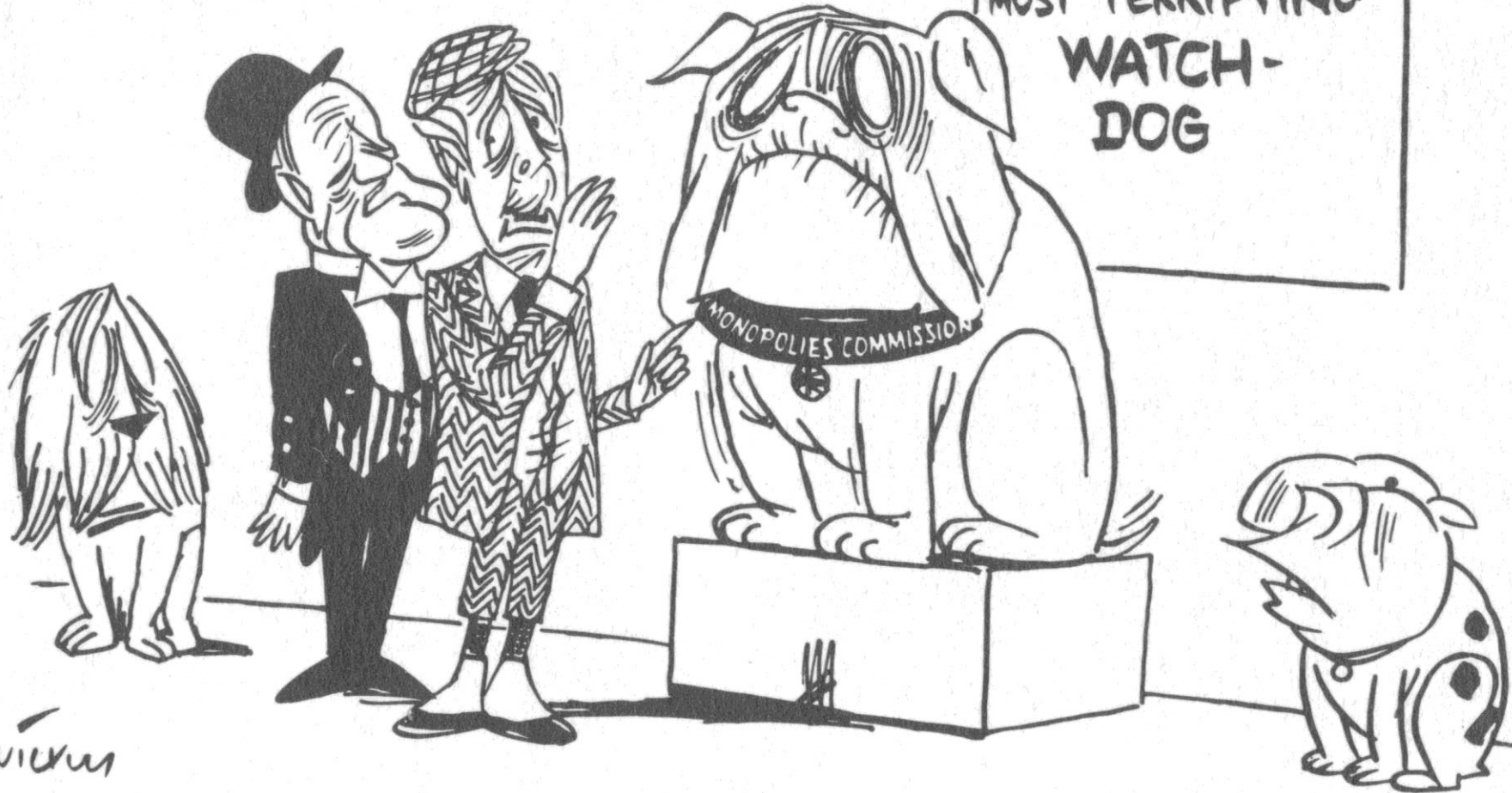
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# UK competition regime started with Market Studies

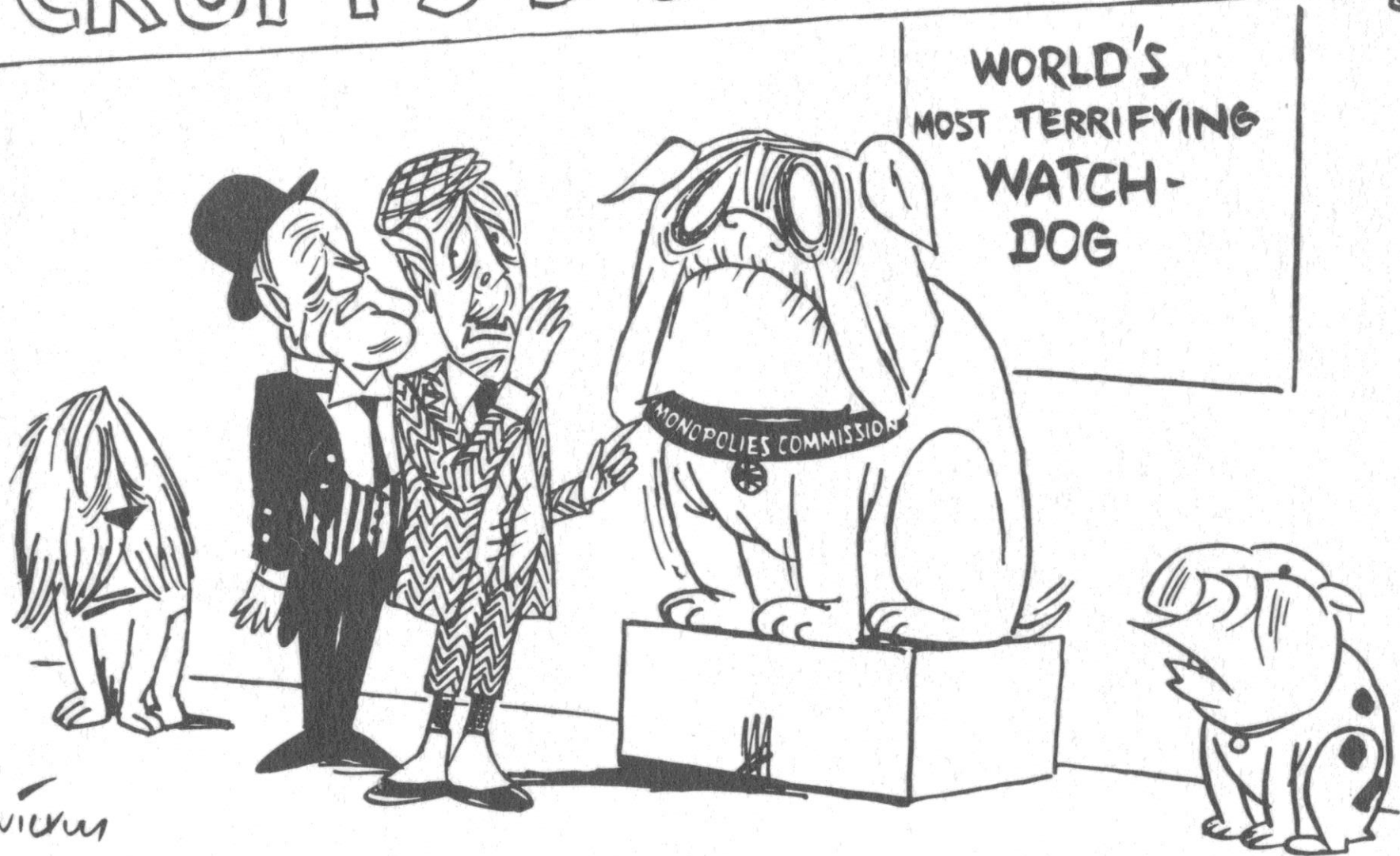
- Investigation into the supply of dental goods in 1950
- led to a Parliamentary Order .....
- but it was a very informal regime
- Effectiveness depended on political support ....
- which was not always forthcoming

# CRUFT'S DOG SHOW

WORLD'S  
MOST TERRIFYING  
WATCH-  
DOG



# CRUFT'S DOG SHOW



"The teeth, we've forgotten the teeth ....!"

# Regime has developed over the years

- Market Studies time-limited (12 months, or 6 months if “upgraded” to Phase 2 Market Investigation)
- Information-gathering powers for Market Studies (though sanctions for non-compliance could be stronger) but still no teeth
- Market Investigations (18 (exceptionally 24) months) have teeth - can impose remedies
- Appeals on process only (ie Judicial Review)

# And focus has shifted

- Away from market concentration and Gini coefficients
- Towards
  - Local markets
  - Consumer response
    - Loyalty penalties
    - Point of sale advantage
    - etc
  - Challenges of the digital economy (Furman Report)
- But still legally a competition-based regime – though for how long? (Tyrie speech)

# Conclusion

- Three key requirements for a high quality markets regime
  - Good, imaginative, forward-looking economic analysis
  - Ability to design appropriate remedies
  - Excellent advocacy skills to sell the story and the remedies

Some past cases



# The Supply of Beer (1989)

- Issue was the ownership of pubs by the big brewers
- On the recommendation of the Monopolies and Mergers Commission the Government ordered the disposal of 14000 pubs, in the face of huge opposition from the “beverage”

# Payment Protection Insurance (2007)

- Competition issue was the selling of PPI at the same time as the offer of a loan (**point of sale market distortion**)
- CC banned the practice
- But disclosure in the course of the investigation of huge profit margins prompted the financial regulator to investigate further, and to uncover massive mis-selling
- So far mis-selling claims amount to £35 billion

# BAA Airports (2007)

- Issue was that the government had sold off all the London airports, and the two biggest Scottish airports, to a single buyer
- CC ordered BAA to sell Gatwick, Stansted and either Edinburgh or Glasgow
- Consequence has been a significant improvement in service both to passengers and to the airlines

# Energy Market (2014)

- Huge investigation covering generation and retail markets
- Concluded that the generation market was working well (to the surprise of many)
- Big problem was that **consumers don't shop around** – cheapest deals were >25% cheaper than the standard tariff
- But 65% of consumers were on the standard tariff
- Excess profits for the incumbent companies of over £1 billion pa
- Government introduced a tariff cap
- Which may kill the retail market - though .....

# Petrol Prices (2013)

- Instigated in response to public/political pressure
- Found that the market was working well
- Price increases accounted for by rise in the international price of crude oil, and in taxes