



**Competition Commission
Annual Report and Accounts for the year ended 31 March 2013**

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section 186 of the Enterprise Act 2002

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CONTENTS

The work and the role of the Competition Commission	4
Chairman's statement	5
Chief Executive's report	7
The Council	8
Casework in the review period April 2012 to March 2013	11
Inquiry reports published 1 April 2012 to 31 March 2013	12
Reviews of undertakings and orders	37
The Competition Commission's post-inquiry activities	38
Work streams	42
Accounts	52
Members' biographies	96
Academic panellists	102
Senior staff biographies	103

The work and the role of the Competition Commission

The Competition Commission (CC) is an independent public body which conducts in-depth inquiries into mergers and markets and also has certain functions with regard to regulated industries.

The CC does not initiate inquiries independently. All its main activities are undertaken following a reference or appeal to it by or from the decisions of another authority.

Mergers

The Office of Fair Trading (OFT) refers mergers to the CC where it believes there is a realistic prospect that the merger has led or may lead to a substantial lessening of competition (SLC) in a UK market. In exceptional cases where a merger raises certain public interest issues, the Secretary of State may also refer mergers to the CC.

Where a merger is referred to it, the CC carries out an investigation and decides whether it has resulted or may be expected to result in an SLC. If so, the CC has wide-ranging powers to remedy any competition concerns resulting from the merger, including preventing a merger from going ahead, requiring a company to sell off part of its business or take other steps to improve competition.

In the water and sewerage sector there is a special regime under which mergers between certain water enterprises must be referred for consideration by the CC.

Market investigations

The OFT and sector regulators have various powers to study and review UK markets. If they suspect there are competition problems in particular markets, they can refer those markets to the CC for in-depth investigation. In some situations, the Secretary of State can also refer a market to the CC.

In a market investigation the CC has to decide whether any feature or combination of features of the referred market prevents, restricts or distorts competition.

If it does so, it seeks to remedy the problem, either by introducing remedies itself or recommending action by others.

Reviews of remedies

If the OFT considers that, due to a change of circumstances, any remedies required by the CC in a merger or market investigation, or in certain other cases, need to be varied or terminated, the OFT refers the matter for decision by the CC.

Regulatory references and appeals

The CC has various functions under legislation which regulates the supply of gas, electricity, water, sewerage, rail, air traffic services, airport services, postal services, electronic communications and public health care. The CC's task is generally to determine disputes concerning proposed changes to the price controls, terms of licences or other regulatory arrangements under which undertakings in these sectors operate. It also has some functions under the legislation regulating the provision of financial services and legal services, and the Competition Act 1980.

Institutional change

In 2012 the Government announced its plans for reform of the UK's competition regime. These include creating a single Competition and Markets Authority (CMA), which will perform the functions of the CC mentioned above, as well as the competition functions and some of the consumer functions of the OFT. The Enterprise and Regulatory Reform Act, which gives effect to these reforms, received Royal Assent on 25 April 2013 and the Government aims to have the CMA fully operational by spring 2014.



Chairman's Statement Roger Witcomb | Chairman

The CC has had another busy year. Indeed we have never been busier. My enduring memory of 2012/13 will be the grace under pressure shown by everybody in the CC, both staff and members, and while it was a challenging year it was also a worthwhile and successful one. For most of the year we were engaged in four market investigations, at least one regulatory appeal and seldom fewer than six merger inquiries. In addition challenges to our decisions were made to the Competition Appeal Tribunal (CAT) on three occasions and to the Court of Appeal on three occasions—none was successful.

For me the highlights of the year have been:

- The sale by BAA (now Heathrow Airport Holdings Limited) of Edinburgh and Stansted airports, bringing to an end the six year saga of the BAA Airports Inquiry and effecting a fundamental change in the structure of the UK's airports with the potential to bring significant benefits for airport customers.
- The completion of the Movies on Pay TV market investigation, referred to us by Ofcom. This marked the first time that we have found no AEC (adverse effect on competition) in a market we have investigated. Also for the first time in a market investigation, we changed our view between provisional findings and final report, as a result of rapid change in the market. This showed that we can respond to market developments. It also highlighted the value of developing a solid conceptual framework for our analysis, which made it possible for us to assess and evaluate the impact of market change quickly and robustly.
- The Anglo/Lafarge merger inquiry, which was one of the most complex mergers that the CC has ever investigated, involving the production of cement, aggregates, ready-mix concrete and asphalt on more than 500 sites spread across Great Britain. The outcome involved, perhaps not surprisingly, one of our most complex divestment remedies which led to the sale of 181 sites, originating with both parties, to the Mittal Investments group, creating a significant new player in these markets.
- The first ever reference of a planned merger between two NHS Foundation Trust hospitals (Bournemouth and Poole), following the arrival on the statute book of the Health and Social Care Act in 2012. This inquiry was in progress at the end of the year.
- The appointment of Christine Tacon as the first Groceries Code Adjudicator. The creation of this post was a key recommendation of the Groceries market investigation, which reported in 2009, designed to ensure that the big supermarkets did not abuse their buying power in their dealings with suppliers. It required primary legislation to bring it about, and it is encouraging that the government is prepared to act on a recommendation in those circumstances where we cannot impose a remedy ourselves.
- An unusually rich diet of regulatory cases including two telecommunications cases and our first appeal against a decision of the Northern Ireland Utility Regulator. In addition, our most recent final judgement, Mobile Call Termination, was upheld in the Court of Appeal.

Outside our standard diet of casework we have also played a full part in the process of combining the CC and the OFT in the new CMA. The legislation which gives effect to creation of the CMA has passed through Parliament and has received Royal Assent. Lord Currie, formerly Chair of Ofcom, has

Chairman's Statement (*continued*)

been appointed Chairman Designate of the new authority and Alex Chisholm, previously the Irish Communications regulator, has been appointed Chief Executive. We have been working harmoniously and productively with them, and with our colleagues at the OFT, to ensure that the CMA will be the vehicle for an even more effective competition regime, and that, in the process of creating it, staff in both organisations will be treated fairly.

I was delighted to welcome Penny Boys and Dame Janet Paraskeva as non-executive members of the CC Council. Both have brought a wealth of skill and experience in leading organisations undergoing radical change and I know that they will, with Grey Denham and Lesley Watkins, ensure that the CC is wisely governed through what will inevitably be an unsettled year.

In normal circumstances we would be saying goodbye to the 20 members who arrived in April 2005. However we are so busy that 15 of them have had their term extended to allow them to finish current inquiries. That means that I can concentrate on the five who have reached the end of their terms. Jill Hill, John Smith, Sudi Sudarsanam, Dick Taylor and Fiona Woolf have between them sat on around 40 inquiries and all have done a wonderful job for the CC. We shall miss them, as we shall the remaining class of 2005 when they reach the end of their current inquiries.

I am pleased to welcome 17 new members to the CC who will take forward the work of the CC in its last year and into the CMA. They have been included in the biographies section of this report although their involvement in CC work started in April of this year. From the senior management team we were sad to say farewell to Alison Oldale, who joined the CC as Chief Economist in 2009, but pleased to welcome as her successor Daniel Gordon, who has joined us from Ofcom.

The coming year will be equally challenging. The workload associated with the move to the CMA will continue to grow, while the case load shows no sign of dropping. I am confident that the organisation is ready to rise to the challenge, and that we shall continue to deliver high-quality decisions that will play an important role in promoting growth and efficiency in the economy.



Chief Executive's Report David Saunders | Chief Executive

As predicted in last year's Annual Report, the CC's workload in 2012/13 has remained at a very high level. There were two new market investigation references during the year (private healthcare and motor insurance) as well as a continuing flow of merger references and regulatory appeals. Four of the eight merger references completed during the year resulted in a finding of a substantial lessening of competition, so leading to a remedies process. As the Chairman notes, we completed the movies on pay TV market investigation, and the implementation of the remedies arising from our BAA and local bus services market investigations. We also successfully defended six legal challenges to our work; three of these were in the CAT and three in the Court of Appeal. We have continued to be closely engaged in the process of preparing for transition of the CC into the CMA next April.

Value of the competition regime

Competition is a key driver for growth; strong and effective competition policy and enforcement helps ensure a thriving business environment and empowered consumers. Although some of the benefits of our work are hard to quantify and attribute accurately, the CC aims to quantify where possible the direct financial benefits to consumers that we achieve. The CC and the OFT have calculated an aggregate consumer benefit of £430 million for 2012/13 for the market investigation regime and £25 million for mergers in the same period (these figures include the work done by both the OFT and the CC where the CC claims benefit).¹ In making these estimates, we recognise that our approach is partial in its scope and subject to considerable uncertainties in its application. But it is

clear that these figures, which are likely to be underestimates, substantially exceed the costs of the competition regime.

Workload

Throughout the year, we have consistently been working on four market investigations, six or seven merger inquiries and one or two regulatory appeals, as well as work on remedies, legal challenges and reviews of past remedies. This level of work is even higher than last year, and shows no signs of declining in 2013/14.

Efficiency, effectiveness and governance

Despite the increase in our workload, which is higher than it has ever been, the CC's expenditure remains £3 million less than in the last peak period (in 2007/08). This is mainly due to an increase in accommodation income from sublet office space and a reduction in corporate service costs. The CC's original budget for 2012/13 was £17.4 million; this was then revised at the mid-year to £19.7 million. The final out-turn for the year was £20.7 million. The initial budget for 2013/14 is £18.3 million. The CC is unlikely to be able to manage within this budget with the current workload and the additional costs that the transition to the CMA will incur (particularly due to the need to move most of our tenants out of Victoria House during the year to make room for OFT staff joining the CMA). BIS has acknowledged those issues and has undertaken to review our funding at the mid-year, as it did last year (see Notes to the Financial Statements 1.1(g)).

The Governance Statement sets out the systems that the CC has in place for corporate governance, information assurance and risk management. During the year, the CC Corporate Services team

has achieved ISO 20,000 reaccreditation for IT service management. The team earned an income of about £260,000 from the provision of shared services to our tenants in 2012/13.

Process improvements

Later sections of this report summarise the activities and outcomes of the work streams set out in our business plan. We have made significant progress during the year in updating and extending our published guidance. We have produced rules for energy and postal services appeals, updated our merger procedural guidelines, and published revised guidelines on market investigations and on the disclosure of information in inquiries.

Conclusion

The main challenge during the next year will be managing our high workload while also engaging in the transition to the CMA. It will be critical to our success that the transition process runs smoothly, and provides early assurance to staff about their futures, so that we can retain the expert people that we need to deliver our work and can continue to provide a world class competition regime for the benefit of the UK economy. We must also ensure a seamless handover of our live casework to the CMA, and that businesses involved in our inquiries and their advisers are not subject to any disruption or confusion due to the transition.

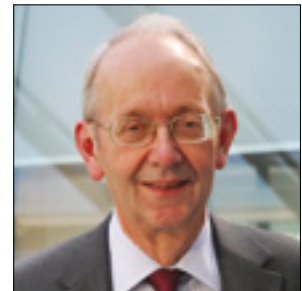
1. (1) These values are in February 2013 prices. (2) To control for the fluctuation of inquiries referred to the CC from year to year, the reported consumer benefits are a three-year rolling average; for instance, the consumer benefit from the market investigation regime for this year is the average of consumer benefits from market investigations that resulted in an AEC decision between 2010/11 and 2012/13.

The Council

The Council is the CC's strategic management board; it is led by the Chairman and currently consists of the three Deputy Chairmen, the Chief Executive, and four non-executive Council members. The Council meets at least six times a year to consider the plans and strategic direction of the CC and to develop policy. The Council reviews the proposed annual budget for the CC and monitors its financial performance. The Council is also responsible for ensuring that there is a proper framework for the corporate governance of the CC and it reviews the CC's performance, monitors its high-level risks and determines best practice across inquiry groups.

Additionally the Council has a statutory duty to publish general advice and information about the consideration by the CC of merger inquiries and market investigations and in relation to any matter connected with the exercise of its functions, including publishing a statement of policy on penalties for non-provision of information.

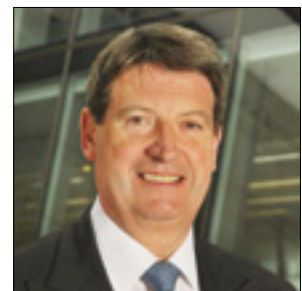
Roger Witcomb was appointed CC Chairman in May 2011 having been a CC member since 2009. Roger is a trustee of the microfinance charity Opportunity International. He was a non-executive director of Anglian Water from 2002 to 2010 and Finance Director of National Power from 1996 to 2000, having previously been at BP and Cambridge University, where he taught economics. Until recently, he was Chair of Governors of the University of Winchester and non-executive director of Infracore (a developer of infrastructure projects in developing countries). Recent or current cases include Anglo American/Lafarge and Akzo Nobel/Metlac mergers. He is currently Chairman of the market investigation into privately funded healthcare services.



Professor Martin Cave OBE was appointed Deputy Chairman in January 2012, having formerly been a member from 1996 to 2002. He is an economist specialising in competition issues and the regulation of network industries. He was BP Centennial Professor at the London School of Economics in 2010/11, and Professor at Warwick Business School from 2001 to 2010. He is now Visiting Professor at Imperial College Business School. He has undertaken several independent reviews for the UK Government, and has also advised governments and regulators on competition and regulation in a number of sectors. He was awarded an OBE for public service in 2009. Recent or current cases include aggregates, cement and ready-mix concrete market investigation, the Rank/Gala merger and the Phoenix Natural Gas price determination inquiry.



Simon Polito was appointed Deputy Chairman in January 2012, having formerly been a City Solicitor with international law firm Hogan Lovells. He has over 30 years' experience as a specialist in UK and EU competition law and has practised both in London and Brussels. He was a partner with Lovells for 26 years and Head of the firm's EU and Competition law practice from 2001 to 2004. He is a former Chairman of the Joint Working Party of the Bars and Law Societies of the United Kingdom on Competition Law. Recent cases include the Epwin/Latium, DCC/Rontec, Global Radio/GMG Radio and Booker/Makro merger inquiries.



Professor Alasdair Smith was appointed Deputy Chairman in January 2012. He has been a Professor of Economics at the University of Sussex since 1981 and was Vice-Chancellor of the University from 1998 to 2007. He is an international economist and has written extensively on the effects of the single European market and EU enlargement on competition. Until March 2013, he was Chair of the Armed Forces Pay Review Body and a member of the Senior Salaries Review Body. He is a member of the Determinations Panel of the Pensions Regulator. Recent or current cases include the private motor insurance market investigation, LLU/WLR appeal, Eurotunnel/SeaFrance merger, Barr/Britvic merger and review of FirstGroup/ScotRail undertakings.

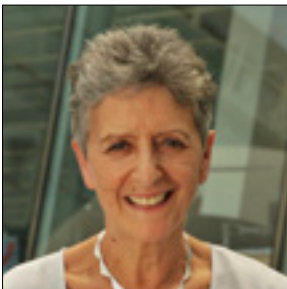




Penny Boys CB was appointed to the Council of the CC in December 2012. She was the first Deputy Director for Electricity Regulation. She was also Secretary to the Monopolies and Mergers Commission during its transition to the CC, and Deputy Director General (later Executive Director) at the Office of Fair Trading. She is a non-executive director of Ofwat, where she chairs the Audit Committee. She was an independent member and then Deputy Chairman of the Horserace Betting Levy Board from 2006 to 2011.



Grey Denham was appointed non-executive Council member in 2009. He is a qualified barrister and has spent most of his career in global manufacturing businesses. He specialised in international mergers and acquisitions and in governance and compliance. Before retirement from GKN plc in 2009, after 28 years, he was its Company Secretary and Group Director Legal and Compliance. He is currently a director and trustee of the charity Young Enterprise. He is a former Senior Independent Director of Charter International plc, a former Chairman of the Primary Markets Group of the London Stock Exchange and of the CBI in the West Midlands and Oxfordshire.



Dame Janet Paraskeva was appointed to the Council of the CC in December 2012. She was formerly Chair of the Child Maintenance and Enforcement Commission and First Civil Service Commissioner. Other previous roles include Chief Executive of the Law Society and non-executive member of the Consumer Council for Water and the Serious Organised Crime Agency. She was Chair of the Child Exploitation and Online Protection Centre. Currently she chairs the development organisation Plan UK and was Chair of the Olympic Lottery Distributor until the end of March 2013. She is also a member of the Detainee Inquiry into complicity in torture post 9/11.



Lesley Watkins was appointed non-executive Council member in 2009. She is Chair of the CC Audit Committee. She was formerly a Managing Director in the corporate finance divisions of UBS and then Deutsche Bank focusing on mergers and acquisitions and financing and regulatory matters. She is a chartered accountant (having qualified with Price Waterhouse, now PwC) and since 2002 has been Finance Director and Company Secretary of Calculus Capital Limited (a private equity firm). She is also a non-executive director and Chair of the Audit Risk and Compliance Committee of Panmure Gordon & Co plc, an investment bank and stockbroker.



David Saunders was appointed Chief Executive in February 2009. He joined the Department for Industry in 1978 and has undertaken a wide variety of civil service roles, including four years as Regional Director of the Government Office for the South East. He was Director of Consumer and Competition Policy in the DTI and subsequently BERR from October 2004 until September 2008, with responsibility for the UK competition regime, state aid, UK consumer law and its enforcement, consumer safety, consumer credit and indebtedness. He moved in October 2008 to the new Department of Energy and Climate Change to carry out a project looking at how best to get regional and local engagement and delivery of the UK's ambitious renewable energy target.

12-41

INQUIRY REPORTS

Published: 1-4-12 to 31-3-13

Movies on Pay TV	12	Rank Gala Plc/Gala Casinos Limited	28
Anglo American PLC/Lafarge S.A.	14	Wholesale Broadband Access	30
South Staffordshire PLC/Cambridge Water PLC	16	Phoenix Natural Gas Price Determination	32
VPS Holdings Limited/SitexOrbis Holdings Limited	18	LLU/WLR Charge Control	34
DCC Energy UK Ltd/Rontec Investments LLP	20	Summary of reviews of undertakings and orders in the review period	37
McGill's Bus Services Limited/Arriva Scotland West Limited	22	The Competition Commission's post-inquiry activities	38
Akzo Nobel NV./Metlac Holdings Limited	24	Legal challenges to Competition Commission's decisions	40
Epwin Holdings Limited/Latium Building Products Holdings Limited	26		

Casework in the review period April 2012 to March 2013

Overall workload

In 2012/13, the CC progressed five market investigations, two of which were referred during the year with one report being published. The CC progressed 15 merger inquiries with seven carrying over to 2013/14. Notably, there were 14 merger referrals during the year, an increase from ten the previous year. The CC was engaged in three Communications Act appeals and one Energy Appeal.

The cases are categorised by type then listed chronologically by date of referral.

	Date of referral	Report Status at 31 March
Market investigations		
Movies on Pay TV	04/08/2010	Published
Statutory audit services	21/10/2011	Ongoing
Aggregates, cement and ready-mix concrete	18/01/2012	Ongoing
Private healthcare	04/04/2012	Ongoing
Private motor insurance	28/09/2012	Ongoing
Merger inquiries		
Anglo American PLC/Lafarge S.A.	02/09/2011	Published
South Staffordshire Plc/Cambridge Water PLC Water	05/01/2012	Published
VPS Holdings Limited/SitexOrbis Holdings Limited	05/03/2012	Published
DCC Energy UK Ltd/Rontec Investments LLP	04/04/2012	Published
McGill's Bus Services Limited/Arriva Scotland West Limited	18/04/2012	Published
Akzo Nobel N.V./Metlac Holding S.r.l.	23/05/2012	Published
Ryanair Holdings plc/Aer Lingus Group plc	15/06/2012	Ongoing
Epwin Holdings Limited/Latium Building Products Holdings Limited	18/06/2012	Published
Dods Group PLC/De Havilland Political Intelligence Group	22/06/2012	Cancelled
Stagecoach Group PLC/First Devon and Cornwall Ltd	10/07/2012	Cancelled
The Rank Group Plc/Gala Casinos Limited	20/08/2012	Published
Global Radio Holdings Limited/GMG Radio Holdings Limited	11/10/2012	Ongoing
Groupe Eurotunnel S.A./SeaFrance S.A.	29/10/2012	Ongoing
Booker Group PLC/Makro Holding Limited	08/11/2012	Ongoing
Royal Bournemouth Hospital NHS FT/Poole Hospital NHS FT	08/01/2013	Ongoing
AG Barr plc/Britvic plc	13/02/2013	Ongoing
AEG Facilities (UK) Limited/Wembley Arena	22/03/2013	Ongoing
Regulatory appeals		
British Telecommunications Plc v Ofcom telecommunications price control appeal: wholesale broadband access charge control	02/11/2011	Published
Phoenix Natural Gas Limited price determination	28/03/2012	Published
British Telecommunications Plc v Office of Communications (LLU/WLR Charge Control March 2012)	24/07/2012	Published
British Sky Broadcasting Limited (2) TalkTalk Telecom Group Plc v Office of Communications (LLU/WLR Charge Control March 2012)	28/09/2012	Published
Reviews of undertakings and orders		
Yellow Pages undertakings given by Yell Group plc (now hibu plc)	26/10/2012	Published
FirstGroup's 2004 ScotRail undertakings	29/11/2012	Ongoing
BBC Magazines undertakings	01/02/2013	Ongoing



Market investigation into the supply and acquisition of movies on pay TV

Sky's position in the first subscription pay TV window (FSPTW) for acquiring movies (within the sequence of 'windows' in which film studios release movies in different formats) did not adversely affect competition either in the pay-TV retail market or the upstream rights market.

Generally, consumers attached less importance to seeing recent movies on pay TV than to other service attributes, such as price and access to a broad range of content.

The launch of new movie streaming services by Netflix and LOVEFiLM, reflecting an increasing trend of delivering audio-visual content over the Internet, increased competition and consumer choice.

The launch of Sky Movies on Now TV gave consumers for the first time a choice of subscribing to Sky Movies separately from their subscriptions to other pay-TV content (from any provider).

The CC therefore concluded that Sky Movies, in offering the first pay movies of all the big Hollywood studios, was not found to be a sufficient driver of subscribers' choice of pay-TV provider to give Sky such an advantage over its rivals as to harm competition for pay-TV subscribers.

Outcome

No AEC was found in the market for the supply and acquisition of major studio FSPTW movie rights or in the market for the wholesale supply and acquisition of packages including Sky Movies. No intervention in the Movies on Pay TV market was therefore necessary.

Laura Carstensen (Chairman)

Robin Aaronson

Alexander Johnston

Peter Jones

Stephen Oram

PUBLISHED

2-8-12

Inquiry background

The CC examined the supply and acquisition of subscription pay-TV movie rights and the wholesale supply and acquisition of packages including core premium movies channels.

The three largest providers of traditional linear (ie scheduled, broadcast) pay TV were Sky, Virgin Media and BT Vision. They offered movie services on both a subscription basis and an on-demand basis. In almost all cases, the on-demand services were distributed over 'closed' Internet connections.

Sky had over the previous 20 years acquired the exclusive rights to distribute FSPTW movies in the UK from the six largest Hollywood studios, and several other studios, both over its satellite platform and the Internet, as well as on a wholesale basis to other broadcasters.

During the course of the investigation, new and improved movie services distributed over the 'open' Internet (known as 'over the top' (OTT) services) were launched and attracted many customers.

Findings

Provisional findings

In its provisional findings, published in August 2011, the CC found that Sky had market power in the pay-TV retail market, providing it with advantages when bidding for FSPTW movie rights and creating barriers to others acquiring these rights. It provisionally found that pay-TV products with FSPTW movie content were significant to many consumers in their choice of a pay-TV retailer. The CC also provisionally found that Sky's wholesale supply of Sky Movies to its rivals did not enable those rivals to compete effectively with Sky for subscribers for whom FSPTW movie content was a significant factor when choosing a pay-TV retailer. For these reasons, the CC provisionally found that Sky's control of the acquisition and distribution of FSPTW movie content on pay TV adversely affected competition between pay-TV retailers.

Market developments

Subsequent to the publication of the CC's provisional findings, Netflix entered the market and LOVEFiLM significantly

enhanced its Internet-distributed offering, both by making more content available and by making it available on a stand-alone basis (it was previously bundled with DVD rental by post). Before the launch of these services, the subscription video on demand (SVOD) services available in competition with Sky Movies offered only a small range of movies, and mainly movies already widely available on TV. In contrast, the SVOD services of LOVEFiLM and Netflix offered a wide range of movie content, some of which was in the FSPTW, as well as extensive TV programming. Moreover, these services were made available at a competitive price.

In addition, during the course of the CC's inquiry, Sky launched its own new OTT service (Now TV), on which Sky Movies was made available. As a result, consumers wanting to view FSPTW movies could now subscribe to Sky Movies on Now TV without having to subscribe to Sky (or a rival traditional pay-TV provider) for the rest of their pay-TV services.

Conclusions

In its final report, while continuing to take the view that Sky had market power in the pay-TV retail market, the CC concluded that, overall, the FSPTW content on Sky Movies was not a significant factor in consumers' choice of traditional pay-TV retailer. Sky's position with regard to the acquisition and distribution of FSPTW movie content on pay TV did not therefore give it such an advantage over its rivals as to lead to an AEC in the pay-TV retail market.

The CC's change of view since its provisional findings was partly due to the emergence of the new OTT services of LOVEFiLM, Netflix and Now TV, which affected the competitive landscape by increasing the choices available to consumers, and partly the result of a reappraisal of its original analysis.

While not necessary in relation to finding there was no AEC, the CC found that the barriers to the acquisition of FSPTW movie rights faced by OTT pay-TV retailers were lower than those for traditional pay-TV retailers. The CC recognised that future licensing activity was uncertain but concluded that there was a realistic prospect that, in the future, an OTT pay-TV retailer would be able to outbid Sky for the FSPTW rights of at least one major studio.

The CC also found that Sky's position as an acquirer and distributor of FSPTW movie content did not give rise to an AEC in the upstream rights market.

Overall, the CC found that there were no features relating to the supply and acquisition of major studio FSPTW movie rights or the wholesale supply and acquisition of packages including Sky Movies which gave rise to an AEC in any market.

Remedies

The CC did not find an AEC and therefore no remedies were needed.

Full details about how the CC reached its findings and the final report can be found on the CC website:

www.competition-commission.org.uk/our-work/directory-of-all-inquiries/movies-on-pay-tv-market-investigation/news-releases



Inquiry into an anticipated construction materials joint venture between Anglo American PLC and Lafarge S.A.

This proposed joint venture (JV) involved the UK activities of two major providers of construction materials.

The CC found significant competitive overlap between the two providers in the national UK markets for cement and some specialist aggregates, and in several local markets for primary aggregates, asphalt and ready-mix concrete (RMX).

Outcome

The JV would result in an SLC in several markets. The two companies were required to divest some of their cement, aggregates and RMX operations so as to enable the JV to proceed.

Full details about how the CC reached its findings and the final report can be found on the CC website: www.competition-commission.org.uk/our-work/directory-of-all-inquiries/anglo-american-lafarge

Roger Witcomb (Chairman)
Alexander Johnston
Ian Jones
Richard Taylor

1-5-12

The markets

The inquiry concerned a proposed JV involving the UK construction materials activities of Anglo American PLC (Anglo) and Lafarge S.A. (Lafarge). Both companies were suppliers of cement, aggregates, asphalt and RMX in the UK.

The CC investigated potential effects of the JV in seven product markets. Competition in the supply of four of the products took place at national level: bulk cement, bagged cement, rail ballast and high purity limestone (HPL) for industrial purposes. Competition to supply the other three was local in nature: primary aggregates for construction applications, asphalt and RMX.

Findings

The CC found that, had the JV transaction not been proposed, the prevailing competition between Anglo and Lafarge would have been likely to continue largely unchanged.

The CC found that the proposed JV would be likely to result in an SLC in 19 local markets for primary construction aggregates, two local markets for asphalt and seven local markets for RMX. The CC further concluded that the proposed JV would be likely to result in an SLC in the rail ballast market, and the market for HPL for flue gas desulphurisation.

The CC assessed whether the proposed JV might make the bulk cement market more susceptible to coordination. (Coordination may arise in a market when firms recognise that

they are mutually interdependent and that they can reach a more profitable outcome if they coordinate to limit the degree of rivalry.) The CC concluded that the proposed JV would make coordination in the market significantly more likely—either to emerge if there had been no coordination in the past, or to become more effective and stable if there were pre-existing coordination. In either scenario the changes to the market would be large and the proposed JV would be likely to result in an SLC in the bulk cement market.

The CC assessed potential countervailing factors concluding that prospects for entry and/or expansion were insufficient to offset the reduction in competition the CC had identified, and not finding sufficient evidence for the significant efficiencies Anglo and Lafarge claimed the proposed JV would achieve.

Conclusion

The CC concluded that the proposed JV may be expected to result in an SLC leading to prices that would be higher than might otherwise be the case in the market for the supply of bulk cement in the UK and in various local and national markets for aggregates, asphalt and RMX.

Remedies

Anglo and Lafarge offered suitable undertakings to the CC that a series of divestitures would be implemented as a condition for allowing the proposed JV to proceed. Most of these divestitures were completed by January 2013.



Merger inquiry into the completed acquisition by South Staffordshire Plc of Cambridge Water PLC

The merger involved 2 of the 11 water-only companies serving areas of the UK.

The CC found that there would be some negative impact on Ofwat's ability to make some regulatory comparisons between different water enterprises but overall the impact of the merger would not prejudice Ofwat's ability to make comparisons between the 18 independently-managed water companies remaining after the merger.

Outcome

The acquisition was cleared.

Full details about how the CC reached its findings and the final report can be found on the CC website www.competition-commission.org.uk/our-work/directory-of-all-inquiries/south-stafford-cambridge-water

Simon Polito (Chairman)
Ivar Grey
John Smith
Michael Waterson

PUBLISHED

31-5-12

The market

The inquiry concerned the completed acquisition of Cambridge Water PLC (CAM) by South Staffordshire Plc (SS Plc). SS Plc also owned South Staffordshire Water PLC (SST) and intended to merge SST and CAM and operate them under a single licence.

Most water and sewerage services in England and Wales were provided by 21 companies (10 regional water and sewerage companies and 11 smaller water-only companies). SST was the fourth largest water-only company, while CAM was the third smallest.

The provision of water within an area is usually carried out under monopoly conditions and regulated by several bodies, including Ofwat. At the time of the inquiry, the regulation of the water industry was undergoing a programme of reform. The Government was aiming to increase the level of competition in the sector and Ofwat was developing its future approach to price controls and to monitoring regulatory compliance.

The use of cross-industry comparisons has been central to Ofwat's regulation of the industry, notably to set efficiency targets for operating and capital expenditure. Ofwat uses a range of less formal comparative techniques to assess companies' business plans. It also publishes league tables of companies' performance to monitor performance and incentivise service quality; and makes comparisons between the approaches taken by different companies to common problems so as to identify best practice.

The CC identified three ways in which the merger between SST and CAM might have an adverse impact on Ofwat's ability to

make comparisons: (1) to set price limits; (2) to monitor and incentivise service quality; and (3) to identify and spread best practice.

Findings

The CC concluded that on balance, the merger could be expected to have a negative impact to some extent on Ofwat's ability to make comparisons for the purpose of setting price controls.

The CC found that the loss of CAM could be expected to have a detrimental effect on Ofwat's use of league tables to incentivise the delivery of service quality; CAM's distinctive approach to customer service was likely to be lost.

The CC considered that the impact of the merger on Ofwat's ability to identify and spread best practice and innovation would not be significant.

The CC considered that comparative competition would remain an essential feature of the regulatory regime for the foreseeable future; and the management features that had made CAM distinctive were likely to be eroded, if not lost, over time; however, on balance this would not have a significant impact on the regulation of the industry overall.

Conclusion

On balance, the CC was not satisfied that the overall impact of the merger was sufficiently adverse and significant to amount to a 'prejudice'. Therefore, the merger had not prejudiced and was not expected to prejudice the ability of Ofwat to make comparisons between different water enterprises.



Merger inquiry into the completed acquisition by VPS Holdings Limited of SitexOrbis Holdings Limited

The merger involved the two leading providers of security services for vacant properties.

The CC found that the merger was likely to lead to higher prices for customers by removing VPS's closest competitor. Entry was unlikely to constrain these post-merger price rises.

Outcome

The merger would result in an SLC. VPS was required to sell the Great Britain business of SitexOrbis.

Full details about how the CC reached its findings and the final report can be found on the CC website: www.competition-commission.org.uk/our-work/directory-of-all-inquiries/vps-holdings-limited-of-sitexorbis-holdings-limited

Alasdair Smith (Chairman)
Katherine Holmes
Anthony Stern
Sudi Sudarsanam

17-8-12

The market

The inquiry concerned the completed acquisition by VPS Holdings Limited of SitexOrbis Holdings Limited. Both companies were active in the supply of vacant, or void, property services. In particular, both companies supplied security services for vacant properties (SSVP) principally by installing prefabricated steel screens and doors and wireless security alarms so as to secure vacant properties.

The CC found that there were two distinct customer groups for SSVP: customers needing to secure social housing properties; and customers needing to secure commercial properties, such as vacant pubs. The CC found that there were markets for the supply of SSVP to:

1. social housing customers at a 'local' level;
2. commercial customers at a 'regional' level; and
3. commercial customers at a 'national' level.

Findings

The CC found that, in the absence of the merger, SitexOrbis would either have continued to be financed by its owners for the foreseeable future or would have been purchased by an alternative buyer who would not have posed any competition concerns.

For most social housing customers, the CC found that the merging parties were each other's closest competitor. For commercial customers, the CC found that the merging parties appeared to be each other's closest competitors, particularly on the evidence of the parties' internal documents and in view of the similarity and size of their range of operations and depots.

The CC considered the profitability of a hypothetical post-merger price rise by looking at the importance of price in the choice of supplier, possible substitution away from the merging parties in response to a post-merger price rise, and the parties' margins. The CC concluded that the merged company would have the incentive and ability to raise prices to most social housing and commercial customers, in the absence of countervailing factors.

Based on several pieces of detailed evidence, the CC concluded that entry or expansion was unlikely to be timely and sufficient so as to defeat a post-merger price rise. Whilst barriers to opening a new SSVP business were low, the merging parties enjoyed significant economies of scope, scale and density which comprised barriers to entry or expansion for many companies.

Conclusion

The CC concluded that the merger had resulted in SLCs in the markets for the supply of SSVP in all¹ of the markets the CC had identified.

Remedies

The CC considered a range of possible remedies and concluded that divestment of the Great Britain business of SitexOrbis was an effective and proportionate remedy to the SLCs the CC had identified. Undertakings from VPS to divest the Great Britain business of SitexOrbis were accepted by the CC on 19 October 2012.

1. In the market for commercial customers at a 'regional' level the CC found an SLC in some parts of Great Britain (in Scotland, South Wales, south-west England and north-east England) but not in other parts.



Merger inquiry into the completed acquisition by DCC Energy UK Limited from Rontec Investments LLP of certain oil distribution businesses previously owned by Total UK Limited

The acquisition involved four businesses with oil distribution activities in the UK.

The CC found that alternative suppliers were available to customers and, where alternatives did not currently exist, entrants could easily enter the market to compete with the merger parties.

Outcome

The acquisition was cleared.

Full details about how the CC reached its findings and the final report can be found on the CC website www.competition-commission.org.uk/our-work/directory-of-all-inquiries/dcc-rontec-merger-inquiry

Simon Polito (Chairman)
John Cubbin
Ivar Grey
Peter Jones

4-9-12

The market

The inquiry concerned the completed acquisition by DCC Energy UK Limited (DCC) from Rontec Investments LLP (Rontec) of certain oil distribution businesses previously owned by Total UK Limited (Total).

DCC is active in oil distribution throughout the UK and owns GB Oils, which was the largest such distributor before the merger and four times larger than the second largest business (Watson).

In June 2011 Total sold to Rontec its non-bulk oil distribution business in the UK comprising: Butler Fuels, the third largest distributor; the right to supply Total dealer-owned dealer-operated (DODO) retail forecourts; and the right to supply business in the Channel Islands (which was determined to be outside the jurisdiction of the CC). Rontec had bought these assets with the intention of selling them on as soon as possible.

The road transport sector is the largest user of petroleum and the majority of sales of road transport fuel are made by service stations. The main users of gas oil are industrial, commercial and agricultural customers who use the product for plant and machinery. Kerosene is used mainly for domestic heating with the balance used by industrial, commercial and agricultural customers. Product deliveries may be in bulk (full tanker loads) to large customers or in non-bulk (part tanker loads) to smaller customers.

Findings

The CC found that, if prices offered by the parties were to rise, most domestic, agricultural and small business customers would be able to switch to a third party supplier.

The CC identified 12 areas where there could potentially be a lessening of competition due to a lack of alternative suppliers. However, these areas were located near terminals or refineries of oil majors or traders and the CC found that such close proximity would make it easy for a new entrant to begin distribution and offer lower prices.

Bulk customers had historically sourced fuel and oil products from several different suppliers and the CC found that the merger would not significantly limit their choice, particularly as oil majors were likely to be competitors for these customers.

The CC found that it was common practice for multi-site non-bulk customers to source fuel or oil from several providers and that these customers could easily find alternative suppliers. The CC also found that the parties were not close competitors for this customer group.

The CC found that DODO forecourt customers enjoyed substantial competition for their business, predominately from the oil majors, and that smaller distributors, such as GB Oils, were more likely to be competing with third parties than with Butler Fuels.

Conclusion

The CC found that the merger had not resulted, and may not be expected to result in, a substantial lessening of competition.



Merger inquiry into the completed acquisition by McGill's Bus Services Limited of Arriva Scotland West Limited

The acquisition involved two bus companies operating in the Renfrewshire area of West Scotland.

The CC found that the acquisition gave McGill's Bus Services Limited (McGill's) a large market share on several overlap flows and that other providers already present on those flows were unlikely to exert sufficient constraint on McGill's post-acquisition. However, McGill's, as a smaller bus operator, perceived the two nearby large operators to be credible threats and this would be likely to constrain McGill's behaviour post-acquisition.

Outcome

The acquisition was cleared.

Full details about how the CC reached its findings and the final report can be found on the CC website www.competition-commission.org.uk/our-work/directory-of-all-inquiries/mcgills-bus-services-limited-arriva-scotland-west-limited

Alasdair Smith (Chairman)
Robin Aaronson
Phil Evans
Roger Finbow

21-9-12

The market

The inquiry concerned the completed acquisition by McGill's of the business and assets of Arriva Scotland West Limited (ASW).

The market included commercial bus services; the CC considered whether rail should be included as a constraint on particular overlap flows.

Findings

The bus services of McGill's and ASW overlapped primarily in Renfrewshire, as well as in parts of East Renfrewshire and Glasgow (the Renfrewshire area). The CC identified 15 McGill's services on which there was at least one significant overlap with ASW services.

The CC concluded that McGill's and ASW were each other's closest competitors in the Renfrewshire area. However, the level of head-to-head competition observed by the CC prior to the acquisition represented an upper bound because, in large part, it still represented ASW's reaction to McGill's relatively recent entry and expansion in the Renfrewshire area. The CC thought it likely that, in the absence of the acquisition, McGill's and ASW would have continued to operate commercial bus services but their competitive offers would have become less attractive. The CC therefore considered that the competitive interaction between the two companies observed at the time of the acquisition was likely to have reduced substantially over the foreseeable future.

The CC found that the acquisition gave McGill's a large share of the market on several overlap flows, covering at least half of McGill's revenues/concession trips. Other operators already present on those flows were unlikely to exert a sufficient constraint on McGill's, as they ran fewer services at lower frequencies than McGill's.

The CC found that small-scale entry would be unlikely to act as a sufficient constraint to the merged entity. There were, however, two large bus operators with nearby facilities: First Glasgow and Stagecoach. On balance, the CC reached the conclusion that McGill's, as a smaller bus operator, perceived First Glasgow to be a credible threat and that this would be likely to constrain McGill's from substantially worsening its offer post-acquisition. The presence of Stagecoach would add to the likelihood that McGill's behaviour would be constrained post-acquisition.

Conclusion

The CC found that there was no substantial lessening of competition as a result of the acquisition.



Merger inquiry into the anticipated acquisition by Akzo Nobel N.V. of Metlac Holding S.r.l.

The proposed acquisition involved two metal packaging coatings suppliers.

The CC found that Metlac was a significant competitive force which offered low-priced products and acted as a competitive constraint on the potential acquirer in several markets.

Outcome

The acquisition would result in a substantial lessening of competition (SLC). It was prohibited.

Full details about how the CC reached its findings and the final report can be found on the CC website www.competition-commission.org.uk/our-work/akzo-nobel-metlac

Roger Witcomb (Chairman)
Katherine Holmes
Ian Jones
Anthony Stern

PUBLISHED

21-12-12

The market

The inquiry concerned the anticipated acquisition by Akzo Nobel N.V. (AkzoNobel) of 51 per cent of Metlac Holding S.r.l. (Metlac Holding). Metlac Holding owned 56 per cent of Metlac S.p.A. (Metlac), the operating company. AkzoNobel already owned 49 per cent of Metlac Holding and the remaining shares in Metlac and, on completion of the transaction, its shareholdings in both entities would increase to 100 per cent, giving it full control of Metlac. We found that despite AkzoNobel's current shareholdings and representation on the boards of Metlac and Metlac Holding, AkzoNobel did not have the ability significantly to influence the commercial strategy of Metlac or significantly constrain its ability to compete.

AkzoNobel and Metlac both supplied metal packaging coatings (MPCs) and the merged entity would have a combined share of supply of 61 to 70 per cent of MPCs in the UK.

MPCs are used to protect the contents of metal packaging (such as food or beverage cans) from reacting with the packaging and protect the external packaging from damage. End-use requirements give rise to a wide range of different types of MPCs, which are not substitutable.

Production of MPCs is relatively concentrated at the global level with three large producers: AkzoNobel, PPG and Valspar. Metlac has a strong presence in the European Economic Area (EEA) where there is also a range of smaller producers.

The CC aggregated coatings into two EEA-wide markets: the supply of MPCs for beer and beverage (B&B) metal packaging; and the supply of MPCs for food, caps and closures and general line (FCG) metal packaging.

The CC focused its analysis on the possible impacts of the merger on customers with operations in the UK.

Findings

The CC found that where Metlac was active it exerted a significant constraint on the behaviour of the larger suppliers.

It steadily gained market share by offering low-priced, technologically sound products, without its supply of coatings becoming unprofitable.

In relation to the B&B market, the CC found that Valspar, PPG and smaller suppliers would not be likely to constrain the merged entity from raising prices or making non-price changes in the short to medium term. Metlac would be likely to place a competitive constraint on AkzoNobel over a larger number of product/customer circumstances in the future. The CC found that new entry and expansion would be unlikely to occur in a timely and sufficient manner to counteract the SLC in the B&B market and that countervailing buyer power was unlikely to be sufficient to counteract the SLC in this market.

In relation to the FCG market, given the mixed evidence base on the ability of smaller suppliers to enter/expand, the CC did not find that the merger may be expected to result in unilateral effects in the UK.

Conclusion

The CC found that the merger may be expected to result in an SLC in the B&B market.

Remedies

The CC considered various behavioural remedies put forward by AkzoNobel but found that these would not be effective. The CC also found that there were no relevant customer benefits. The CC concluded that the only effective remedy was prohibition of the transaction.

Appeal

On 17 January 2013, AkzoNobel filed a Notice of Application with the CAT, challenging the CC's decision to prohibit it from acquiring Metlac on three grounds. The hearing took place on 18 and 19 April 2013. The CAT rejected the appeal on 21 June 2013.



Merger inquiry into the completed acquisition by Epwin Holdings Limited of Latium Building Products Holdings Limited, Cet Glass Processors Holdings Limited and Building Plastics Holdings Limited

The merger involved two suppliers of PVC roofline products (soffit boards, fascias and cladding) and other PVC building products.

The CC found that there were several other suppliers with sufficient spare capacity to provide alternative sources of supply for customers.

Outcome

The merger was cleared.

Full details about how the CC reached its findings and the final report can be found on the CC website www.competition-commission.org.uk/our-work/directory-of-all-inquiries/epwin-latium-merger

Simon Polito (Chairman)
Richard Farrant
John Smith
Sudi Sudarsanam

13-11-12

The market

The inquiry concerned the completed acquisition by Epwin Holdings Limited (Epwin) of Latium Building Products Holdings Limited (Latium), CET Glass Processors Holdings Limited (CET) and Building Plastics Holdings Limited (Building Plastics). The companies involved in the acquisition were variously engaged in the manufacture and supply of a wide range of PVC building products in the UK.

The CC assessed the effects of the merger in the market for the supply of PVC-extruded flat boards and trims for installation around the roofline (roofline products) and windows (window trims) of new houses and for use in the refurbishment of existing properties.

PVC roofline and window-trim products were generally distributed through stockists, some of which were owned by manufacturers. The stockists took delivery of the products from manufacturers and sold them either directly to end-users or to other smaller sub-stockists. The end-users of PVC roofline and window-trim products were builders, roofers and other installers.

Findings

The CC identified two customer segments: small-scale end-users, such as local builders and roofers, who bought PVC roofline and window-trim products directly from a stockist over the 'trade counter' (the trade segment); and large-scale end-users, such as national house builders and

social housing contractors, who generally had an agreement with a manufacturer to supply, via stockists, PVC roofline and window-trim products of a particular specification (the specification segment).

The CC found that the products were relatively homogeneous, that switching costs did not prevent stockists from changing supplier and that there were no material switching costs for end-users. The CC also found that, on conservative assumptions, the parties' competitors had spare capacity which could be used to respond to increases in demand.

In the specification segment, the CC found that customers would have viable alternative options to taking supplies from the merged parties and this would constrain the merged parties' ability to increase prices or reduce quality or choice.

In the trade segment, the CC found that independent stockists would have several alternative suppliers with spare capacity post-merger. The CC found that the availability of a viable alternative supplier for both smaller and larger stockists would constrain the merged parties' ability to increase prices or reduce quality or choice to this segment.

Conclusion

The CC concluded that the merger did not, and was not expected to, result in a substantial lessening of competition within any market or markets in the UK for goods or services.



Merger inquiry into the anticipated acquisition by The Rank Group Plc of Gala Casinos Limited

The merger involved two of the largest operators of casinos in the UK.

The CC found that casinos competed with each other locally; competition at the national level was not significant; the industry was regulated and entry was only possible in specified local authority areas by obtaining an existing licence since no new licences were available.

Outcome

The acquisition was prohibited in areas where a local SLC was found.

Full details about how the CC reached its findings and the final report can be found on the CC website www.competition-commission.org.uk/our-work/directory-of-all-inquiries/rank-gala

Martin Cave (Chairman)
John Cubbin
Peter Jones
Richard Taylor

PUBLISHED

19-2-13

The market

The inquiry concerned the proposed acquisition by The Rank Group Plc (Rank) of 23 casinos and three 'cold' licences (licences retained for casinos that never opened or had been closed) operated and held by Gala Casinos Limited (Gala) in the UK.

Rank and Gala both operated standard casinos. There were 133 standard casinos in the UK. Genting Casinos UK Limited (Genting) was the largest casino operator in the UK with 40 casinos, followed by Rank with 35 and Gala with 24.

The CC concluded that the supply of casinos, excluding high-end casinos, was the relevant product market. The CC did not consider that other gambling venues, online gambling and other leisure venues constrained competition among standard casinos sufficiently to warrant including them in the same market.

The CC found that casinos competed with each other locally. Those outside London typically attracted customers from within a drive-time of 30 minutes but the geographic market for London casinos appeared to be wider.

The CC found that most aspects of the casino offer were set locally in response to local competition, in particular customer service and promotions/events. Whilst national branding, advertising and loyalty schemes were coordinated centrally, this was mainly for reasons of administrative efficiency and did not suggest that there was significant national competition on these aspects.

Findings

The CC found 17 local areas of potential concern where the merger may cause a reduction in competition as a result of the

decrease in the number of casino operators. Of these, the CC found four areas (Aberdeen, Stockton-on-Tees, Bristol and Cardiff) where the merger may be expected to result in an SLC due to the reduction in actual competition.

The CC also assessed the impact of the merger on potential competition and found that in the absence of the merger Rank was planning to develop its cold licence in Edinburgh into an operating casino which would have substantially increased local competition. Since the merger would have prevented this increase in competition, the CC found that the merger may be expected to result in an SLC in Edinburgh.

The CC found that, post-merger, it was unlikely that Rank would have the ability or incentive to foreclose competitors by obtaining exclusivity or preferential treatment from electronic games machine manufacturers.

In the SLC areas, the CC did not find countervailing factors, such as entry by competitors that might have mitigated the effect of the merger on competition.

Conclusion

The CC found that the proposed acquisition may be expected to result in an SLC in the market for standard casinos in the UK.

Remedies

The CC prohibited the acquisition by Rank of Gala's casinos in Aberdeen, Stockton-on-Tees, Bristol and Cardiff, and ordered the divestment of Rank's cold licence in Edinburgh before Rank could acquire the Gala casino there.



Telecommunications price control appeal: Wholesale Broadband Access

This was a price control appeal under the Communications Act 2003 (the Act): British Telecommunications Plc v Office of Communications (Case 1187/3/3/11)

The CC was asked by the CAT to determine two questions:

- whether the Wholesale Broadband Access (WBA) Charge Control had been set by Ofcom at levels which were inappropriate for one or more of three reasons;
- if so, to determine an appropriate manner for remedying any errors identified.

Outcome

The CC found that Ofcom had not erred in setting the WBA Charge Control.

The full text of the CC determination can be found on the CC website

www.competition-commission.org.uk/our-work/directory-of-all-inquiries/bt-ofcom-telecoms-appeal-wholesale-broadband

Alasdair Smith (Chairman)
John Cubbin
Fiona Woolf

BT

Ofcom

BSkyB
TalkTalk

2-11-2011

11-6-12

Background

WBA services are a collection of services provided by British Telecommunications Plc (BT) allowing other telecoms providers to connect with BT's network and establish a broadband connection to customers.

In 2010, Ofcom published the outcome of a market review of WBA. It defined four separate geographic markets in the UK for WBA, three being constituted of BT exchange areas. Ofcom found there to be effective competition in one of the three markets, BT having significant market power in the other two. It was only in respect of one of those markets ('Market 1') that it proposed a charge control on the provision of WBA services.

Also in 2010 Ofcom published a Pensions Review Statement. This review set out the principles against which it would consider pension contributions in future charge controls.

Ofcom set the level and design features of the charge control in its Decision of 20 July 2011 (Charge control framework for WBA Market 1 services). BT appealed to the CAT against the level at which Ofcom had set the charge control.

BT's appeal had three main arguments. These arguments related to the treatment of BT's pension deficit repair payments and to its cost of capital and did not depend on the specific nature of the WBA price control. As such they could be potentially relevant to many or all of the controls applied to BT's charges.

The first argument concerned the treatment of BT's pension deficit. BT alleged that, by not allowing it to recover an appropriate allocation of its pension deficit repair payments as part of the WBA Charge Control, Ofcom had failed properly to fulfil its statutory duties and regulatory objectives. BT argued that pension costs had unique characteristics and that Ofcom had failed to recognise that as a result a different treatment was required.

The second argument concerned the cost of debt that Ofcom had used to determine the weighted average cost of capital (WACC) to be used in the charge control calculations. Ofcom had used a cost of new debt and BT argued that Ofcom had erred in not taking into account the cost of BT's embedded (pre-existing) debt.

The third argument concerned the level of financial gearing Ofcom had used in its determination of the WACC to be used in the charge control calculations.

Under section 193 of the Act, where such an appeal raises a price control matter specified in the CAT's rules, the CAT must refer that matter to the CC for determination.

The CC determination

- The CC did not agree with the appellant that Ofcom had erred in making the choice to refuse to allow BT to recover its pension deficit repair costs in its WBA charges.
- The CC did not agree with the appellant that Ofcom had erred in refusing to take into account the cost of embedded debt (or the difference between the cost of BT's embedded debt and the cost of new debt) in its calculation of BT's WACC.
- The CC did not agree with the appellant that Ofcom had erred in its calculation of BT's WACC by using a gearing assumption of 50 per cent.

Outcome

The CAT is required by section 193(6) of the Act to decide the matter in accordance with the CC's determination unless it falls to be set aside on judicial review grounds. None of the parties said that it should be set aside. The appeal was accordingly dismissed by the CAT on 22 June 2012.



Phoenix Natural Gas Limited: Price control determination

This was a price control determination referred pursuant to Article 15(1) of the Gas (Northern Ireland) Order 1996. The Northern Ireland Authority for Utility Regulation (UR) proposed to vary the price control applying to Phoenix Natural Gas Limited (Pngl) for 2012 and 2013, which Pngl rejected. UR referred the matter to the CC.

The CC determined that the existing price control conditions were not in the public interest and should be modified. The determination agreed with some parts and disagreed with other parts of UR's proposals for the price control conditions in 2012 and 2013.

MAIN PARTIES

Northern Ireland Authority for
Utility Regulation

*Non-ministerial government
department responsible for
regulating Northern Ireland's
electricity, gas, water and
sewerage industries*

Phoenix Natural Gas Limited

*owner and operator of the
distribution network in the
Greater Belfast area and Larne
(the Licensed Area)*

Full details about how the CC reached its findings and its determination can be found on the CC website:
www.competition-commission.org.uk/our-work/phoenix-natural-gas-limited-price-determination

Martin Cave (Chairman)
 Stephen Oram
 John Smith
 Richard Taylor

REFERRED

DETERMINATION

28-3-2012

28-11-12

Background

UR issued its proposed Price Control Determination for 2012 and 2013 for PNGL on 10 January 2012. On 6 February 2012 PNGL rejected UR's proposals.

On 28 March 2012 UR made a reference to the CC. This required the CC to investigate and report on whether the existing price control conditions (which, in the absence of PNGL's consent, rolled over from the previous period) operated, or may have been expected to operate, against the public interest and, if so, whether the adverse effects could be remedied or prevented by modifications of the licence conditions.

The CC's role in the price determination process

In determining this reference, the CC was required¹ to have regard to the same duties as apply to the Department of Enterprise, Trade and Investment and to UR,² (ie to promote the development and maintenance of an efficient, economic and coordinated gas industry in Northern Ireland, and to do so in a way that is consistent with the fulfilment by UR of its obligations under the Gas Directive).

The following issues were those where the greatest concerns were expressed to the CC:

- the amounts included in the total regulatory value (TRV) specified in the licence in respect of operating expenditure (opex) and capital expenditure (capex) outperformance —ie the capitalised value of unspent allowances—and deferred capex; and
- the rate of return that PNGL should recover on its investment.

The CC also considered several secondary issues, in particular whether PNGL had been funded twice for the same expenses in respect of business rates.

There were also other issues reviewed by the CC that were not in dispute between UR and PNGL as to the need for modification of the price control conditions (for example, opex and capex allowances).

CC's conclusions

The CC concluded that the existing price control arrangements were not in the public interest and should be modified.

The CC agreed with the proposed revisions for opex and capex allowances made by UR, as well as the other changes made by UR in the PNGL determination for 2012/13 (PNGL₁₂), except for UR's TRV adjustment. The CC did not find that PNGL's allowed rate of return should be changed. The CC also concluded that no revision should be made to the TRV, except to reflect the 1999/2000 capex deferrals that were not completed by the end of the third PNGL price control period, 2007 to 2011 (PC₀₃). The CC determination required the following modifications to be made:

- The TRV should be adjusted to reflect the 1999/2000 capex deferrals that were not completed by the end of PC₀₃ (including post-2006 capitalised financing benefits), together with an appropriate management fee of 5 per cent, estimated to be £8.6 million.
- An adjustment should be made for the effects of funding PNGL twice for business rates allowances. The CC estimated this value at £5.0 million.
- Modifications were required to give effect to the changes detailed in PNGL₁₂ (with the exception of UR's proposed TRV adjustment of £74 million, instead implementing the two changes identified in the preceding bullet points) which include, for example, updated amounts for capex and opex (including a proportion of the costs incurred and borne by PNGL in this investigation) and which should result in PNGL's allowed revenues for 2012 and 2013 being £43.340 million and £44.688 million respectively (in 2010 prices).

Remedies

UR is required to give notice of the licence modifications proposed for the purpose of remedying or preventing the adverse effects the CC had identified in its report. After considering any representations or objections made to these proposals, UR is required to notify the CC of its proposed modifications and of the reasons for making the modifications.

On 31 May UR notified the CC of its final licence modifications. The CC then has four weeks in which, if necessary, to direct UR not to make some or all of the proposed modifications, and to propose different modifications, which seem to the CC requisite for the purpose of remedying or preventing adverse effects specified in the CC's report.

1. By article 15(8) of the 1996 Order.

2. By article 14(1) of the Energy (Northern Ireland) Order 2003, as substituted by regulation 41 of the Gas and Electricity (Internal Markets) Regulations (Northern Ireland) 2011.



Telecommunications price control appeal: Local loop unbundling (LLU) and wholesale line rental (WLR)

These were price control appeals under the Communications Act 2003 (the Act): British Telecommunications Plc v Office of Communications (Case 1193/3/3/12); British Sky Broadcasting Limited and TalkTalk Telecom Group Plc v Office of Communications (Case 1192/3/3/12).

The CC was asked by the CAT to determine five reference questions, several with multiple aspects, relating to whether Ofcom had erred in setting wholesale price controls on BT's (Openreach's) LLU and WLR services; and if so, to provide clear and precise guidance as to how any error found should be corrected.

The CC determined that Ofcom had erred in relation to four aspects of the questions in the BT Appeal and to two aspects in relation to the Sky/TalkTalk Appeal. No errors were found in relation to other reference questions.

REFERRED

British Telecommunications
Plc (BT) Appeal referred to CC
on 24 July 2013

British Sky Broadcasting
Limited (Sky)/ TalkTalk
Telecom Group plc (TalkTalk)
Appeal referred to the CC on
28 September 2013

The CC's determination can be found on the CC website
www.competition-commission.org.uk/our-work/llu-wlr-charge-control-review-appeal

APPEAL GROUP	APPELLANTS	DEFENDANT	INTERVENERS
Alasdair Smith (Chairman) Roger Finbow Ivar Grey Michael Waterson	BT Sky/TalkTalk	Ofcom	Everyone Everywhere Ltd (EE) Sky/TalkTalk BT

REFERRED	PUBLISHED
24-7-2012 28-9-2012	27-3-2013

Background

In March 2012, Ofcom imposed charge controls on BT, covering the period from April 2012 to March 2014, for its products and services allowing telephone and broadband services to be delivered to homes and business over the copper network in two ways: LLU, which allows communications providers to install their equipment in BT's local telephone exchanges; and WLR, which is used by communications providers to offer telephone services to customers via lines rented from BT.

Two separate appeals to the CAT were brought by communications providers against parts of Ofcom's decision. BT appealed several aspects, and Sky and TalkTalk (acting together) appealed other aspects; each of the appellants intervened in the other appeal and EE intervened in both. These were referred by the CAT to the CC in July and September 2012 respectively. (Under section 193 of the Act, where an appeal to the CAT raises a price control matter specified in the CAT's rules, the CAT must refer that matter to the CC for determination.) The CC dealt with the cases in parallel.

The questions that the CC had to address

BT Appeal

Question 1

The CC was asked to consider whether Ofcom erred in one or more of the following respects:

- (i) forecasting BT's corporate overheads costs;
- (ii) calculating BT's cumulo rates (a commercial property tax);
- (iii) valuing the cost of BT's copper assets;¹
- (iv) allocating the income received by BT from the recovery of copper cable;
- (v) allocating the cost of repairing faults on WLR, MPF (metallic path facility) and SMPF (shared metallic path facility) lines;
- (vi) allocating BT's line testing test head costs to WLR and SMPF services; and
- (vii) calculating BT's costs of MPF Single Migration, SMPF New Provide and SMPF Single Migration services.

Question 2

The CC was asked to consider whether the price controls imposed on BT have been set at a level which is inappropriate because Ofcom erred in its use of a Regulatory Asset Value in valuing BT's pre-1997 duct assets.

Question 3

Where the CC determines that Ofcom erred it should:

- (i) provide clear and precise guidance as to how any such error found should be corrected; and
- (ii) in so far as is reasonably practicable, give a determination as to any consequential adjustments to the charge controls.

Sky/TalkTalk Appeal

Question 1

The CC was asked to consider whether Ofcom erred in one or more of the following respects:

- (i) forecasting volumes of MPF, SMPF and WLR services;
- (ii) assessing fault repair costs;
- (iii) allocating cumulo rates between different products;
- (iv) using the Retail Price Index value duct assets purchased after 1997 within the Regulatory Asset Value calculation and/or by failing separately to reflect a 'national discount'; and
- (v) assessing the income to be received from copper scrap.

Question 2

Where the CC determined that Ofcom erred it should:

- (i) provide clear and precise guidance as to how any such error found should be corrected; and
- (ii) in so far as is reasonably practicable, give a determination as to any consequential adjustments to the charge controls.

1. This question was subsequently withdrawn; see Order of the Chairman of the Tribunal, 14 September 2012.

LLU and WLR (*continued*)

The CC's determinations

BT Appeal

Question 1(i)—Corporate overheads

The CC concluded that Ofcom did not err in forecasting BT's Corporate Overhead costs. While there was a mistake in Ofcom's calculation, the effect of this was considered not to have a material impact in the context of the price control.

Question 1(ii)—Cumulo rates

The CC found that Ofcom had erred. It was decided that the price control should be revised to allow for Openreach's higher cumulo rates bill.

Question 1(iv)—Copper recovery income

The CC found that Ofcom had erred. It was determined that only income from scrap copper derived from the relevant local access network should be treated as offsetting revenue for this price determination.

Question 1(v)—Service levels and fault rates

The CC found that Ofcom had not erred.

Question 1(vi)—Line testing for copper lines

The CC found that Ofcom had erred and determined a redistribution of how test head costs should be allocated to different services.

Question 1(vii)—Migration and new provide

The CC found that Ofcom had erred and has determined an appropriate correction to the charge calculation.

Question 2—Valuation of duct assets

The CC concluded that Ofcom had not erred.

Sky/TalkTalk Appeal

Question 1(i)—Forecasts of volumes of lines

The CC found that Ofcom had erred. The CC determined

how the error should be corrected and this had the effect of increasing the forecast.

Question 1(ii)—Fault rates

The CC found that Ofcom had erred. However, it was unable to determine what the appropriate correction should be; the CC therefore concluded that the only practicable option was for this issue to be remitted to Ofcom for further consideration.

Question 1(iii)—Cumulo rates

The CC concluded that Ofcom had not erred.

Question 1(iv) Valuation of duct assets

The CC found that Ofcom had not erred.

Question 1(v) Copper recovery income

The CC found that Ofcom had not erred.

Remedies

The third reference question in the BT Appeal and second reference question in the Sky/Talk Talk Appeal asked the CC, in the event that it determined that Ofcom had erred, to give clear and precise guidance as to how any error should be corrected and a determination on the consequential adjustment to the level of the price controls. The CC accordingly proposed changes to the price controls, with the exception of reference question 1(ii) in the Sky/TalkTalk appeal, which was remitted to Ofcom for further consideration.

Outcome

The CAT is required by section 193(6) of the Act to decide price control matters in accordance with the CC's determination unless it falls to be set aside on the basis of section 193(7) (on judicial review grounds), but none of the parties said that it should be set aside.

Reviews of Undertakings and Orders

Summary of reviews

The OFT has a statutory duty to keep under review undertakings and orders under the Fair Trading Act 1973 and the Enterprise Act 2002. From time to time, the OFT must consider whether, by reason of any change of circumstances, the set of undertakings or an order should be varied or terminated. If so, the OFT refers the matter to the CC for consideration. Responsibility for deciding on variation or termination of undertakings or orders lies with the CC in nearly all cases.

Between 1 April 2012 and 31 March 2013, the CC completed one review of undertakings and orders. Two further reviews of undertakings and orders were ongoing as at 31 March 2013: FirstGroup's 2004 ScotRail undertakings and the BBC's 1992 undertakings. A provisional decision on the review of FirstGroup's ScotRail undertakings was published on 28 March 2013.

Yell/hibu review of undertakings

In 2006, the CC published its final report on its market investigation into printed classified directory advertising services (CDAS). The CC identified a number of features which prevented, restricted or distorted competition in the market for CDAS including the fact that Yell Group plc (Yell) had a market share of around 75 per cent and that Yell's prices were not constrained by those of its competitors; Yell did not compete on price in any significant way. To remedy the adverse effect on competition the CC identified, the CC accepted undertakings from Yell in 2007 in relation to its CDAS business, Yellow Pages. In summary, the undertakings comprised a price control and a number of restrictions on the way Yell could price and distribute its directories.

In 2012, Yell changed its name to hibu plc (hibu). Following a request from hibu for the undertakings to be reviewed, the OFT sent advice to the CC on 26 October 2012 that there had been a change of circumstances which meant that the undertakings may no longer be appropriate.

The CC identified a change of circumstances since the 2006 report in relation to increased Internet access and usage by both consumers and advertisers. This change in behaviour was found to have had a significant effect on attitudes to CDAS. For example, evidence showed that the Internet had now overtaken the Yellow Pages as UK consumers' first choice of media for people searching for goods and services. The effect on CDAS providers had also been significant—hibu's UK CDAS business had suffered from a decline in revenue of 63.5 per cent since 2006. The CC found that hibu now priced below its price cap in all classifications. This, along with evidence of the change in consumer and advertiser behaviour, led the CC to the conclusion that hibu was no longer able to operate as a price setter independent of the behaviour of competitors.

The provisions in the undertakings the CC accepted in 2006 were put in place either to address hibu's market power or to support other provisions in the undertakings. The CC concluded that, because hibu no longer holds market power in CDAS, none of the provisions in the undertakings should be retained. hibu was consequently released from the undertakings in full and with immediate effect on 15 March 2013.

The Competition Commission's post-inquiry activities

For those investigations requiring remedies, the publication of the final report does not mark the end of the CC's involvement or workload.

The Enterprise Act 2002 made the CC responsible for implementing remedies following its investigations. The CC does this by accepting undertakings from parties, by making an Order or by making recommendations to others. In some cases, the CC's work continues after these actions. For example, where the CC has required a structural remedy, it will oversee the divestiture process to ensure that this remedy is successfully implemented. The CC may also consider representations from parties regarding possible changes of circumstances which may affect remedies.

A summary of the CCs post-inquiry activities for the financial year 2012/13 is shown in the table below. A notable feature of the CC's work this year has been its involvement in supervising the implementation of major divestitures on the BAA case (divestiture of Edinburgh and Stansted Airports) and Anglo American/Lafarge.

Investigation	Type of investigation	Type of remedy	Date of publication of final report	Method of implementation
BAA Airports	Market	Divestiture/ Behavioural	19 March 2009	Undertakings and recommendations
Local buses	Market	Behavioural	20 December 2011	Order and recommendations
SRCL/Ecowaste	Merger	Divestiture	21 March 2012	Undertakings
Anglo American/ Lafarge	Merger	Divestiture	1 May 2012	Undertakings
AkzoNobel/Metlac	Merger	Divestiture	21 December 2012	Undertakings/ Order
VPS/Sitex Orbis	Merger	Divestiture	19 October 2012	Undertakings
Rank/Gala	Merger	Divestiture	19 February 2013	Undertakings

Date on which remedy fully implemented (all outcomes coming into force)	Implementation activity in 2012/13	Status as at March 2013
28 February 2013	<p>1. Overseeing divestiture of Edinburgh Airport. Edinburgh divestiture completed on 23 April 2012.</p> <p>2. Overseeing divestiture of Stansted Airport, following Court of Appeal rejection of BAA appeal in June 2012. Stansted divestiture completed on 28 February 2013.</p>	Complete
26 July 2012	Publication of Order implementing Access to Bus Stations remedy.	Complete
6 August 2012	Overseeing divestiture following acceptance of final undertakings and CAT rejection of SRCL appeal.	Complete
Ongoing	Overseeing divestitures following acceptance of final undertakings. Divestiture of main package of cement, aggregates, asphalt and RMX operations completed on 7 January 2013.	Ongoing
Ongoing	Akzo Nobel NV filed a Notice of Application with the CAT on 16 January 2013 challenging the CC's decision to prohibit it from acquiring Metlac.	Ongoing
31 January 2013	Overseeing divestiture following acceptance of final undertakings.	Complete
Ongoing	Agreement of undertakings and overseeing divestiture.	Ongoing

Legal challenges to Competition Commission's decisions

The work of the CC is not limited to conducting inquiries and implementing its reports. It also has to respond to challenges during and following its inquiries in the CAT and the higher courts. During 2012/13 it was involved in the following litigation.

Merger inquiry into the completed acquisition by Stericycle, Inc (SRCL) of Ecowaste South West (ES)¹

In this case the CC had concluded that full divestment of ES was the only effective remedy to the substantial lessening of competition identified. SRCL challenged the proportionality of the remedy. In May 2012 the CAT dismissed the appeal and awarded the CC its costs. In August 2012 the divestment of ES completed.²

Market investigation into BAA airports³

Background

The CC's report into the supply of airport services by BAA in the UK, published in May 2009, identified a number of features of the market which had an adverse effect on competition including the common ownership of certain airports by BAA. The remedies required included a requirement for BAA to divest Gatwick and Stansted Airports. BAA sold Gatwick Airport in 2009, but appealed the decision to require the sale of Stansted Airport. This challenge ended in October 2010 when the Court of Appeal (CA) ruled in favour of the CC.

However, in the light of a change in government policy since the original report was published, the CC then considered whether there had been a material change of circumstance (MCC) since the making of its original report that justified varying the original decision to require the sale of Stansted. In July 2012 the CC decided there had been no MCC. That decision was appealed by BAA to the CAT and then the CA.

Second Court of Appeal decision

In July 2012 the CA rejected BAA's appeal. In doing so it restated established case law concerning the standards the CAT should apply when considering the reasoning expressed in a CC report (they must be read as a whole and in a common sense way); and endorsed the approach the CC had taken to enabling BAA to obtain a fair market value for the assets it was required to sell. The CC was awarded its costs in the CAT and CA.⁴ BAA was refused leave to appeal to the Supreme Court and in February 2012 completed the sale of the airport.

Telecommunications price control appeal: Wholesale mobile voice call termination charges (MCT)⁵

Wholesale MCT charges are the charges that mobile communication providers (MCPs) and fixed-line users make to other MCPs for terminating calls on their networks. In May 2011 Everything Everywhere (EE), Vodafone, BT and Three appealed to the CAT against the decision of Ofcom in March 2011 setting a price control upon the wholesale supply of MCT to network operators for the years 2011/12 to 2015/16. They appealed to the CAT against a number of aspects of the decision. One aspect was the decision of Ofcom to apply a particular cost standard (known as pure LRIC) rather than the standard which had previously been used for the setting of MCT charge controls (known as LRIC plus). As it involved a price control matter, the case was referred by the CAT to the CC for determination.

CC's determination

The CC made its determination in February 2012. It upheld Ofcom's decision to apply LRIC plus, although the evidence it relied on and its reasoning differed from that of Ofcom in various respects.

EE sought to challenge the CC's determination before the CAT on judicial review grounds. In May 2012 the CAT found that the CC's determination was lawful. EE appealed to the CA.

In March 2013 the CA rejected the appeal and upheld the CC's determination. EE argued that in light of the comments of the CC on the reliance of Ofcom on certain evidence, the CC should have referred the matter back to Ofcom to obtain the necessary evidence rather than deciding the matter on the basis of the material before it.

CA judgment

The CA decided that the CC's determination had been lawful.⁶ The CC's conclusions when assessing the adequacies of the evidence and material before it were not outside the range of reasonable conclusions. The CA noted that caution had to be exercised in any appeal from, or judicial review of, the decisions of expert tribunals. It was plain that whilst the CC had reservations about certain evidence, it had regard both to that and other categories of evidence in reaching its decision. The CC was not permitted to recover its costs in the CA.

Merger inquiry into the completed acquisition by Ryanair Holdings plc of a shareholding in Aer Lingus Group plc

In July 2012 the OFT referred to the CC for investigation the acquisition by Ryanair Holdings plc (Ryanair) of a 29.82% shareholding in Aer Lingus Group plc (Aer Lingus). This is a continuing merger investigation and the CC's decisions will accordingly be reported on in a subsequent report. This entry simply records litigation that has taken place during the reference.

Shortly after the reference was made, Ryanair announced a public bid for the remaining shares in Aer Lingus. That bid fell for consideration by the European Commission under the EU Merger Regulation. However, the European Commission does not have jurisdiction to consider the acquisition of the 29.82% interest.

The CC therefore decided that it should continue with its inquiry while the European Commission considered the proposed acquisition of the remaining shares. Ryanair applied to the CAT for an order preventing the CC from doing so pending the outcome of the considerations of the European Commission. It argued in particular that the 'duty of sincere co-operation' under Article 4(3) of the Treaty on European Union (TEU) prevented the CC from doing so.

In August 2012 the CAT rejected that application; Ryanair appealed to the CA. In December 2012 the CA dismissed that appeal.⁷ It concluded a stay of the CC's investigation was neither necessary nor appropriate pending the conclusion of the European Commission's consideration of the public bid.

Ryanair sought leave to appeal against the decision of the CA to the Supreme Court but was refused leave to appeal by the Supreme Court on 25 April 2013.

Merger inquiry into the anticipated acquisition by Akzo Nobel N.V. of Metlac Holding S.r.l.

The details of this merger inquiry are set out above (see pages 24–25).

As noted in that entry, AkzoNobel challenged the CC's decision in the CAT.

AkzoNobel argued that the CC erred in three respects:

1. in concluding that AkzoNobel carried on business in the UK and so could be prohibited from acquiring Metlac;
2. in finding that Metlac competes more aggressively on price than other competitors; and
3. in finding that the transaction would lead to a loss of competition in innovation.

On 21 June 2013 the CAT rejected all three grounds of appeal.

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1. Previously reported in the CC's 2011/12 Annual Report (p21). The full text of the CAT's judgment can be found at: www.catribunal.org.uk/238-7559/1190-4-8-12-SRCL-Limited.html.
 2. See page 39.
 3. Previously reported in the CC's 2011/12 Annual Report (p14).
 4. The full text of the CAT and CA's judgments can be found at: www.catribunal.org.uk/238-7271/1185-6-8-11-BAA-Limited.html.
 5. Previously reported in the CC's 2011/12 Annual Report (pp23–24).
 6. The full text of the CAT and CA's judgments can be found at: www.catribunal.org.uk/238-7143/1180-3-3-11-British-Telecommunications-PLC.html.
 7. The full text of the CAT and CA's judgments can be found at: www.catribunal.org.uk/238-7673/1196-4-8-12-Ryanair-Holdings-PLC.html.

42–51

WORK STREAMS

Objective 1	44
Objective 2	45
Objective 3	46
Objective 4	47
Objective 5	48
Objective 6	50

Work stream objectives

For 2012/13 the CC had six objectives, which were intended to improve the overall quality and coordination of its work. Each objective was led by a member of the CC's Senior Management Team (SMT), who ensured that they were achieved in consultation with SMT colleagues, and with internal CC committees where appropriate.

These objectives were:

- Objective 1** | Make the right decisions in market investigations, merger inquiries and regulatory appeals
(owned by the Chief Economist)
- Objective 2** | Take the right remedial action and implement effective and proportionate remedies
(owned by the Chief Financial and Business Adviser and Head of Remedies)
- Objective 3** | Conduct fair and transparent processes
(owned by the Chief Legal Adviser)
- Objective 4** | Ensure no undue burden on business or taxpayers
(owned by the Senior Director, Inquiries)
- Objective 5** | Ensure positive engagement with CC stakeholders and external representation of the CC; and influence the development of international competition policy and implementation and learn from international best practice
(owned by the Director of Policy and Head of International)
- Objective 6** | Support the organisation by ensuring that efficient and effective services and support mechanisms are in place
(owned by the Director of Corporate Services)

Progress against these objectives in 2012/13 is set out in pages 44 to 51.

The structure of the objectives will be adjusted for the 2013/14 Annual Plan to reflect the growing importance of work on the transition to the CMA.

Objective 1

Make the right decisions in market investigations, merger inquiries and regulatory appeals

Led by Daniel Gordon, Chief Economist

To ensure that the CC achieves its objective of making the right decision on mergers, markets and regulatory appeals. Achieving this rests on ensuring that the evidence and analysis on which the decision on competitive harm or regulatory detriment is based is appropriate, and that the decision is supported by the evidence, is clear, and reflects the reasoning of the members.

Under this objective we focused on the following areas this year:

- improving and embedding guidance;
- developing methodologies and analytical approaches; and
- evaluating case experience and objectives.

Improving and embedding guidance

- The CC received responses to its consultation on an early revision of its market investigation guidelines and a complete draft of the guidelines was published for further consultation in June 2012. The final guidelines were published in April 2013. This included a substantial revision of the section discussing the competitive assessment. The newly-revised guidelines are beginning to be applied to the CC's current market investigations.
- The CC has been bedding down the new merger guidelines published last year in its cases.

Developing methodologies and analytical approaches

- The CC has been developing its methodologies in the challenges encountered in new cases. In particular, it

concluded that a merger gave rise to a substantial lessening of competition on the basis of coordinated effects for the first time. It is also now examining its first NHS hospital merger. Lastly, in the course of a market investigation, it revised its preliminary view of the operation of the market in the light of changes taking place in that timeframe.

- The CC continued to align its work with the OFT on the substantive assessment of mergers through the CC/OFT best practice group. This included ongoing work on the use of GUPPI, and sharing issues arising from our respective work following the publication of the joint guidelines.

Evaluating case experience and objectives

- The CC undertook end-of-inquiry reviews to identify the lessons learnt with a view to applying those lessons to future inquiries.
- The CC has, wherever possible, identified the potential savings to the economy that are expected to result from its intervention.
- CC economists have set up a programme to share best practice with OFT colleagues and others through a series of internal seminars focused on current and recent cases.

Objective 2

Take the right remedial action and implement effective and proportionate remedies

Led by David Roberts, Chief Financial and Business Adviser and Head of Remedies

To ensure that the CC makes effective and proportionate decisions on remedies and that remedies are implemented appropriately so as to address the competitive harm identified by the CC's analysis.

Under this objective we focused on the following main areas this year:

- improving guidance and process on remedies;
- evaluating remedies outcomes and sharing best practice; and
- delivering best practice in remedies implementation and reviews of undertakings.

Improving guidance

- The CC's revised *Guidelines on Market Investigations* published in final form in April 2013, contain extensive sections on remedies in market investigations.

Evaluation and sharing of best practice

- The CC continued its rolling programme of evaluating remedies on past cases by completing appraisals on three merger cases and a market investigation (Home Credit). The results of the merger evaluations were published in September together with an updated summary of all the CC's merger evaluations. The evaluation of remedies on the Home Credit market investigation were published in

February. Learning points on remedies were also captured during the year on completion of all relevant cases.

- Results of recent experience and emerging issues on remedies are shared through training seminars with CC members and staff. During the year, CC staff also presented and discussed remedies issues and practice with other national competition authorities and at the OECD.

Remedies implementation and reviews of undertakings/orders

- The CC completed the supervision of major divestiture remedies during the year (see pages 38 and 39) including the sale of Edinburgh and Stansted airports resulting from the BAA market investigation and the divestiture of a major cement plant and related operations following the Anglo/Lafarge merger.
- The CC completed the review of the Yell undertakings given following the CC's market investigation into classified directory advertising services in 2006 (see page 37). The review resulted in the release of the undertakings; the first such release of undertakings given as a result of a market investigation under the Enterprise Act.

Objective 3

Conduct fair and transparent processes

Led by Roland Green, Chief Legal Adviser

To ensure that inquiries are conducted according to fair and transparent processes, and having regard to procedural guidelines.

Under this objective we focused on two main areas this year:

- developing guidance and rules; and
- improving procedures and practices in the light of lessons learnt from inquiries.

Development of guidance and rules

- We continued to develop our guidance and rules to reflect practical experience in the conduct of inquiries and feedback from external stakeholders. This included publishing:
 - new procedural guidelines for merger and market investigation cases, taking account of the experience of the CC to date;
 - new guidance on disclosure of information; and
 - new rules and guidance for handling price control appeals under the Postal Services Act 2012 and energy licensing appeals under the Gas Act 1986 and Electricity Act 1989.

Improving procedures and practices

- We kept under review the application of CC guidance and rules to ongoing inquiries as part of (a) regular reviews of case progress and (b) internal and (where appropriate) external review during inquiries.
- We carried out lessons learnt reviews with staff and members following completed inquiries and remedy implementation, feeding back lessons to members and staff.
- Areas we have particularly looked at in the year have included our ability to handle large quantities of documentary evidence, and refining our procedures for use of data rooms, as these have become more common.
- We continue to run internal training to ensure that our policies and procedures are understood and disseminated among members and staff. In view of the expansion in the workload of the CC over the year, we have emphasised the need for effective induction of new staff in our procedures and practices.

Objective 4

Ensure no undue burden on business or taxpayers

Led by Rachel Merelie, Senior Director, Inquiries

To ensure that the CC does not place an undue burden either on business or on taxpayers, subject always to making robust decisions on analysis and remedies and conducting processes fairly and transparently. To enable the CC to gain a better understanding of the burdens it places on business it carries out a Stakeholder Perception Survey every two years; the last survey took place in 2011. The feedback received from the survey has contributed to setting this objective.

Under this objective we focused on three main areas this year:

- making the CC's inquiries more efficient;
- ensuring that the CC's inquiries are completed within budget and that budgets for each inquiry are minimised; and
- minimising the burdens placed on business.

Making the CC's inquiries more efficient

- We aim to publish our provisional findings on merger inquiries by week 15 and to minimise extensions to the 24-week timetable. We published final reports on eight merger inquiries during the year. In these eight, we took an average of 16 weeks to reach our provisional findings. Three of these inquiries were extended. Three mergers referred to the CC during the year were subsequently cancelled. Six mergers were referred during 2012/13 and are continuing into 2013/14.
- Streamlined procedures were piloted on the Local Bus Services and Movies on Pay TV market investigations; lessons learnt have been taken on board in the four market investigations referred in late 2011 and 2012. The nature of these recent references and our high workload in 2012/13 has made it difficult for us to complete our investigations

within shortened timescales although we continue to benefit from the streamlined procedures.

- We applied the revised procedures which were published in CC13 on the Communications Act references received in 2012/13.

Ensuring that the CC's inquiries are completed within budget and that budgets for each inquiry are minimised

- On all our inquiries we start by identifying the possible theories of harm and designing a work plan that addresses these theories of harm. We have paid particular attention this year to the scope of work undertaken on market investigations given the significant competing demands on our resources.

Review burden on business

- We continue to work to improve communication and coordination between the CC and the OFT on both merger inquiries and market inquiries to minimise any duplication for parties.
- We continue to make particular efforts to tailor our information requests and analysis appropriately on mergers, particularly where the businesses involved are small, recognising the need to minimise, as far as possible, the burden on business.

Objective 5a

Ensure positive engagement with CC stakeholders and external representation of the CC

Led by John Kirkpatrick, Director of Policy

To ensure that the CC pursues a structured and strategic approach to communication with its stakeholders in order to provide a clear understanding of the CC's work and priorities and contribute positively to structural change.

Under this objective we focused this year on engagement with stakeholders in relation to the Government's proposals to reform the competition regime, specifically:

- ensuring external stakeholders including the Government and the leadership of the new CMA understand and are aware of the CC's views on the impending changes; and
- ensuring that members and staff are informed and have the opportunity to contribute views.

Engaging with external stakeholders

- The Government's proposals for reform are now embodied in the Enterprise and Regulatory Reform Act. The CC contributed extensively to the preparation of the legislation, helping to ensure that the provisions are workable, effective and accurately reflect Ministers' policy intentions for the preservation of some aspects of the regime and the improvement of others, and to briefing Ministers for Parliamentary debates.
- At the same time, the CC has supported the Government's transition programme designed to create the new CMA. The CC has provided briefing and views to the Chairman and Chief Executive designate to help them develop their thinking. It has provided leadership for several strands of the transition programme and support to others. It has continued to work effectively with the OFT to enhance mutual understanding among staff and prepare them for transition.
- The CC has also engaged with the Government on a variety of changes to the CC's responsibilities. The Civil Aviation and Health and Social Care Acts give the CC new

or changed responsibilities, and we have provided advice and support to the relevant Departments to ensure that the regimes being introduced are workable. We have provided evidence and views based on the CC's experience to the BIS review of regulatory appeals.

Engaging with internal stakeholders

- The CC has used Chief Executive briefings, team meetings and the electronic weekly bulletin and members' seminars and newsletters to ensure that staff and members have been clearly informed of institutional reform developments and have had an opportunity to contribute to the CC's, and increasingly the transition team's, thinking.
- The CC's response to institutional reform proposals has been coordinated by a steering group with wide senior representation, and regularly discussed with the CC's Council.
- CC staff have begun to be involved in the workstreams which will design and build the new authority: specifically working on the transition arrangements, the design of the new authority's finance, HR and IT functions and systems and the development of its policies and procedures, some of which will be captured in published guidance. This involvement has served to improve relations between CC and OFT staff and fostered mutual understanding of the different ways the two authorities currently work.
- The staff council and staff representatives have been regularly briefed on developments and have provided valuable input on staff views, concerns and ambitions for the new authority to the transition team.

Objective 5b

Influence the development of international competition policy and implementation and learn from international best practice

Led by Carole Begent, Deputy Chief Legal Adviser and Head of International

To ensure that the CC is abreast of and takes appropriate action in the light of developments of competition policy and best practices and influences such developments.

Under this objective we focused on three main areas this year:

- engaging with international organisations and networks;
- engaging directly with overseas competition authorities; and
- disseminating international best practice internally.

Engaging with international organisations and networks

- The CC continued to contribute at meetings of the OECD Competition Committee and the Global Forum. Topics for discussion during 2013/14 included initiatives for co-operation among competition authorities, evaluation of the benefits of competition policy, and developing indicators for an effective competition regime. The CC contributed to such discussions and UK submissions (prepared jointly with the OFT) in respect of topics that are pertinent to the CC's functions.
- The CC continued to take an active role in the work of the International Competition Network, in particular the work with the Agency Effectiveness (Investigative Process Tools and Transparency) and Mergers Working Groups (Evaluation of econometric evidence) and a special project on working with courts and judges.
- The CC continued its membership of the EU Merger Working Group, a forum intended to promote cooperation, convergence and best practice among merger control authorities within the EU. Together with DG Comp,

the OFT and the Austrian Competition Authorities, the CC continued its two-year role as a chair for the Group. In 2012 the CC/OFT led the discussion during meetings on local market merger analysis. For 2013 it has designed a programme for discussion of final remedies and interim measures.

Engaging with competition authorities overseas

- The CC has engaged bilaterally with other competition authorities on an ad hoc basis, responding to requests for and receiving assistance that is beneficial to the CC's casework and policy development. Over 2012, 11 reported requests were made by the CC for assistance which is an increase on the previous year. The majority of these requests were in connection with market investigations. The CC responded to 19 requests for assistance. The CC also hosted eight visits from overseas competition agencies and organisations. CC staff have presented at an event organised by the OECD Hungarian Outreach centre and also at a Ministry of Commerce merger remedies programme aimed at assisting the development of China's competition regime.

People

- Within the CC, staff have been kept aware of developments in international best practice.
- The CC communicated internally discussions and developments of relevance to the CC, through reporting to Council, the Analysis Group, Practices and Procedures Group, Remedies Standing Group and to staff.

Objective 6

Support the organisation by ensuring the efficient and effective services and support mechanisms are in place

Led by Rebecca Lawrence, Director of Corporate Services

To ensure efficient and effective corporate services and back office support to the rest of the organisation. Additionally this objective deals with corporate governance, business continuity, internal audit functions, risk management, security, data handling and information security. The Director of Corporate Services is the CC's Departmental Security Officer and Senior Information Risk Officer.

Accreditation

- The CC continues to work on improving its Disaster Recovery/Business Continuity Plan arrangements (in terms of speeding up the time taken to return to 'business as usual' following a switch from Disaster Recovery back to Victoria House). The CC will start to work on achieving accreditation once this work is complete.
- The CC gained Customer Service Excellence (CSE) accreditation for its corporate services in June 2011. Ongoing work has transferred to internal management to ensure partial compliances are fully met and accreditation is achieved for 2013.

Compliance with central government initiatives

- The CC has worked with central government in terms of some of its key initiatives including: implementing the Cabinet Office Efficiency Reform Group (ERG) controls within the CC; ensuring the CC complies with the government transparency agenda; and working in partnership with BIS's Corporate Services Portfolio Board, its Finance Directors' Network, its Partner Engagement Group and its Network of Excellence.
- The CC continues to work to enhance its current corporate governance, risk management, security and information assurance measures and to implement good practice where appropriate. Internally this has included:
 - reviewing all of its current ICT and ICT security policies and procedures;
 - redrafting the CC's security policies to reflect Cabinet Office Security Policy Framework v8;

- drafting early guidance on the new Government Protective Marking Scheme;
- developing a mini Risk Management and Accreditation Documentation Set for the CC's new remote working solution;
- the production of additional guidance for the CC's Information Asset Owners on data and information security;
- BIS IAS has audited the CC's ICT security and found strong (green) controls to be in place; and
- an enhanced information assurance section on the CC's Intranet.

Shared services

- The CC continues to seek to share its back office services with other organisations as both a provider and a receiver to reduce costs and improve the quality of the service, and to ensure that all services are effectively procured to achieve value for money. In particular:
 - the CC continues to provide a range of corporate services to its tenants in Victoria House; and
 - preparing for CMA transition and ensuring that new contracts/support arrangements are suitable to transfer to the CMA.

Accommodation

- The CC continues to let its additional office accommodation space as it becomes available and

endeavours to ensure that its vacant space within Victoria House is occupied by tenants in line with BIS's estates rationalisation programme. The CC currently has all its vacant space let for the foreseeable future although some of the CC's tenants will need to move out during 2013/14 to make space for the CMA designate staff. This will allow some OFT staff to start to move into Victoria House by 1 October 2013 and allow sufficient time for the CC's accommodation to be restacked to suit the needs of the CMA.

IT

- The CC has ensured that its ICT business resilience plans are effective and complete. The CC has reviewed all of its ICT and ICT security policies and procedures and alongside this achieved ISO 20000 re-accreditation for service management.
- Work on the CMA ICT requirement set has started. CC and OFT ICT staff are working in collaboration to ensure that the CMA's ICT needs are met, with a joint ICT work stream managing the programme of work.
- The CC continues to ensure that the CC's ICT systems fully utilise new technology to deliver a cost-efficient, effective and secure service to the CC and its customers:
 - The CC replaced its desktop PCs with lightweight laptops during the summer of 2012.
 - A new secure remote access solution for the CC has been rolled out to a number of staff.

People

- The CC continues to develop its staff and member skills by:
 - running learning and development activity which increases their knowledge and skills for current and future career opportunities, including drafting, project management, management, presentation skills and diversity awareness;
 - encouraging employee engagement by working with the staff council and seeing through a programme of staff welfare initiatives and improvements to the transparency and consistency of the performance management system;
 - gaining greater understanding of staff views on what they consider important and how these compare with the wider public sector, and the OFT in particular, by running the Civil Service Survey and benchmarking results against suitable comparators; and
 - recruiting and inducting new staff and contractors in a way which does not put the CC at risk through conflicts of interest and makes individuals feel welcome and able to undertake quickly the full accountabilities of the role.
- HR is participating in the CMA transition programme by providing accurate information on the CC's staff and structure. It will advise on the CC's work practice and ensure that the CC is properly represented during discussions about the CMA and how staff will be affected and treated.

52–95

ACCOUNTS

Council Report	52	Governance Statement	64
Management commentary	56	Certificate and report of the Comptroller and	
Remuneration report	60	Auditor General to the Houses of Parliament	74
Statement of the CC's and the		Financial statements	75
Accounting Officer's responsibilities	63	Notes to the financial statements	79

Council report

1. Format of accounts

These financial statements have been prepared in a form directed by the then Secretary of State for Trade and Industry with the consent of the Treasury in accordance with paragraph 12 of Schedule 7 to the Competition Act 1998.

2. Brief history of the Competition Commission and principal activities

The CC is a Non-Departmental Public Body established by the Competition Act 1998. It replaced the Monopolies and Mergers Commission on 1 April 1999.

The CC conducts in-depth inquiries into mergers and markets in accordance with the Enterprise Act 2002, and the regulation of the major regulated industries in accordance with the legislation governing those industries. Every inquiry is undertaken in response to a reference made to it by another authority: usually by the OFT but in certain circumstances the Secretary of State, or under sector-specific legislative provisions relating to regulated industries. Since July 2005 the CC has also had jurisdiction to consider appeals against Gas and Electricity Markets Authority (GEMA) decisions on modifications of certain energy industry codes. The CC has no power to conduct inquiries on its own initiative.

3. Council and membership

The CC consists of members, who are supported by staff. The Chairman and Deputy Chairmen are members of the CC. The Chairman chairs the Council (the strategic management board). The Council also includes the Deputy Chairmen, the Chief Executive, and non-executive CC members.

At 31 March 2013 the membership comprised the Chairman, three Deputy Chairmen, four non-executives, and 32 members of the reporting panel, of whom 12 were also members of the specialist utilities panel, 3 were members of the newspaper panel and 6 were members of the communications panel. All members are appointed by the Secretary of State.

TABLE 4 CC MEMBERS IN POST DURING APRIL 2012 TO MARCH 2013

Members at 31 March 2013	
Chairman	1
Deputy Chairmen	3
Non-executives	4
Reporting panel members	32
(Includes 12 members also on the utilities panel, 3 on the newspaper panel and 6 on the communications specialist panel.)	

Please refer to the earlier section on the CC Council for full membership details.

Each inquiry is conducted by a Group, usually consisting of between three and four members, appointed by the Chairman.

The names, responsibilities, biographical details and changes to CC members are given on pages 96 to 102.

Remuneration details of the Council members are disclosed in the Remuneration Report on page 60.

4. Outside interests

The CC expects its members and staff to behave in accordance with the Seven Principles of Public Life: selflessness, integrity, objectivity, accountability, openness, honesty and leadership, and its approach to dealing with the outside interests of members and staff is founded on these principles.

A register of the outside interests of the CC's Council, and other CC members, is maintained on the CC's public website: www.competition-commission.org.uk.

5. Financial results

The CC's main source of funding is grant-in-aid received from BIS. The CC draws down the grant to meet its cash requirements. Some other income is generated, primarily from sub-tenants occupying space at Victoria House.

Revenue grant-in-aid received was £19,471,000 (2011/12: £16,736,000). Capital grant received was £284,000 (2011/12: £301,000).

Income and expenditure is accounted for on an accruals basis. This treatment results in an annual deficit that is taken to the Income and Expenditure reserve balance that appears in the balance sheet.

In 2012/13 the overall deficit for the year of expenditure over income after interest and taxation was £22,038,000 (2011/12 deficit £17,184,000). Operating expenditure was £25,976,000 (2011/12: £21,391,000).

6. Financial performance measure

BIS reviews CC expenditure on the basis of department expenditure limits (DEL). Revenue DEL is operating expenditure plus taxation, less interest receivable and other income receivable.

Council report (continued)

Table 5 shows a three-year summary in DEL format including the forecast for 2013/14.

TABLE 5 CC'S THREE-YEAR EXPENDITURE AND FORECAST

	2011/12 Actual £'000	2012/13 Actual £'000	2013/14 Forecast £'000
Payroll costs	9,956	11,650	11,812
Accommodation costs (net)	4,448	5,097	5,691
Other costs less sundry income	2,780	5,291	4,090
Revenue DEL	17,184	22,038	21,593
Capital expenditure	301	284	300

Table 6 reconciles the revenue DEL format for 2012/13 with the total operating expenditure of £25,976,000 shown in the Net Expenditure account.

TABLE 6 NET EXPENDITURE ACCOUNT

	2012/13 Actual £'000
Revenue DEL	22,038
Add:	
Income receivable	3,935
Interest receivable	4
Deduct:	
Corporation Tax	(1)
Operating expenditure per Net Expenditure account	25,976

The final budget set by BIS for 2012/13 was £19,587,000 (2011/12; £18,161,000), made up of revenue expenditure of £19,287,000 and capital expenditure of £300,000. The CC spent £22,322,000 made up of revenue expenditure of £22,038,000 and capital expenditure of £284,000 resulting in an overall overspend of £2,735,000 (14 per cent). The BIS budget allocation for 2013/14 is £18,340,000 made up of revenue expenditure of £18,040,000 and capital expenditure of £300,000. As shown in Table 5, the CC is forecasting an overspend of £3,553,000 and before the budget was allocated, BIS was informed of the forecast overspend. Part of this additional expenditure relates to forecast costs for the transition to the CMA and therefore some of these costs will be covered by the CMA transition budget.

7. Income arising from CC activities not reported in the financial statements

There is no further income accruing to the CC from its activities that is not reported in the financial statements.

Under certain of the Acts under which references can be made by sector regulators, a statement of costs incurred by the CC in its inquiries is provided to the appropriate regulator, which is responsible for collecting these costs from the regulated body. The regulators collect these costs and surrender the proceeds to the Consolidated Fund, not to the CC. The CC also provides a statement of the costs of merger inquiries to the OFT, which is responsible for setting the level of merger clearance fees. The OFT includes the CC's costs of merger inquiries in its memorandum trading account used in accounting for merger fees.

8. Payment of creditors

The CC is now committed to pay all supplier invoices by the due date or within five days of receipt if no due date has been agreed. Throughout the year 79 per cent of relevant invoices

were settled within five days (2011/12: 85 per cent); 100 per cent was not achieved mainly due to the CC being a small organisation which has a limited number of people who have authorisation to approve invoices for payment.

9. Financial instruments

Please refer to note 9 in the notes to the financial statements.

10. Pension liabilities

Please refer to accounting policy 1(e) and note 16 in the notes to the financial statements.

11. Employee involvement

The CC has a Staff Council with staff representation from all parts of the organisation and reserved places for two trade union members (from the FDA and PCS). This is an important consultative forum for discussing new developments affecting staff. The Chief Executive runs monthly briefings and all staff are invited to hear presentations on issues of interest, updates on management changes and to raise any questions. This year the CC has run surveys on the quality of corporate services and staff attitudes to security to help formulate a security culture statement.

12. Employment of disabled people

The CC adheres to BIS's policy statement set out in its code of practice on the employment of disabled people.

13. Auditor

The CC's annual financial statements are audited by the Comptroller and Auditor General (C&AG). For the year ended 31 March 2013 the cost of work performed was £32,000. The audit services provided by the C&AG's staff related only to statutory audit work.

The Accounting Officer has taken all necessary steps to make himself aware of any relevant audit information and to establish that the CC's auditors are aware of that information.

So far as the Accounting Officer is aware, there is no relevant information of which the CC's auditors are unaware.

14. Events after the reporting period

There are no events after the reporting period to report.

15. Future developments

These are described in the Chairman's foreword and the Chief Executive's report.



David Saunders
Chief Executive and Secretary
Accounting Officer
20 June 2013

Management commentary

1. The CC and its external environment

The CC is the Phase 2 body in the UK's competition framework. It can only conduct inquiries after it has received a reference, in most cases, from the OFT, or another regulator with powers to refer to the CC. The OFT conducts initial probes into mergers and markets, and refers cases to the CC where it has a reasonable belief that there might be problems with competition. The CC also has jurisdiction to consider appeals against Ofgem decisions on modifications of certain energy industry codes and to determine price control matters raised in appeals to the Competition Appeal Tribunal. Other regulators may make licence modification referrals or price control references intermittently.

2. The CC's employees

The CC had 161 employees at the end of March 2013 (126 at end of March 2012¹). Staff turnover for the year was 8.17 per cent excluding retirees and fixed-term appointees. This compares with the CIPD 2012 Resourcing and Talent Planning survey which reported the overall employee turnover rate for the UK to be 12.7 per cent.

44.7 per cent of the CC's most senior staff (Band A and above) are women and the overall gender split is 48 per cent female staff to 52 per cent male staff. The CC's average sickness absence is 1.9 days per employee per year; this is significantly below the reported level of civil service sick leave which was at 6.8 days at Q2 2012. According to the civil service figures, 42 per cent of all civil service staff took no sick leave last year, whereas 64 per cent of CC staff took no sick leave this year. The CC supports staff working flexibly to help with their work life balance and caring responsibilities and 9.9 per cent of staff have formal part-time working patterns, 25 per cent of whom are men. The CC recruited 53 new staff up to 31 March 2013, of which 41.5 per cent were women.

Due to the increased workload, the CC's staff numbers have increased during 2012/13, the main increase being for staff on fixed-term contracts. Fixed-term contracts have been used to cover the period up to March 2014 and the transition to the

CMA. All the posts were approved by the Secretary of State for BIS, following guidance from the Cabinet Office.

3. Environmental matters

The CC is committed to minimising the environmental impact of its activities. Up to 96 per cent of all waste materials are recycled via the CC's nominated supplier Grosvenor Waste.

4. Social and community issues

The CC supports its staff in contributing to society and may grant special leave with pay to employees who act as magistrates, elected members of a local authority or members of health authorities, tribunals, training in youth leadership or other voluntary activity.

5. Objective setting and strategy for achieving them

The Business Plan 2013/14 was published on the CC website (www.competition-commission.org.uk) on 26 April 2013. The plan sets the objectives and strategy for the new financial year and is approved by BIS.

The work of the CC contributes to the delivery of BIS's vision stated in its Business Plan 2012–15, namely to create efficient and dynamic markets which will contribute to economic growth. In March 2012 the Government announced its intention to reform the UK's competition regime in order to improve the quality of competition decisions, support the competition authorities in taking forward the right cases, and improve speed and predictability for business. One of the Government's key reform proposals is to create a single Competition and Markets Authority (CMA), combining the functions of the CC and the competition functions of the OFT. The Government has passed legislation, the Enterprise and Regulatory Reform Act, to give effect to its reforms in spring 2013 and intends to have the CMA fully operational by April 2014. The CC has been actively engaged with the Government in the development of its plans, and is continuing to work closely with the Government, the OFT and the CMA Chairman and Chief Executive Designate on the design of the new regime and on ensuring a smooth transition.

For 2013/14 the CC has seven key objectives, which are intended to improve the overall quality and coordination of its work. These are to:

- make the right decisions in market investigations, merger inquiries and regulatory appeals;
- take the right remedial action and implement effective and proportionate remedies;
- conduct fair and transparent processes;
- ensure no undue burden on business or taxpayers;
- ensure positive engagement with CC stakeholders and external representation of the CC; and influence the development of international competition policy and implementation and learn from international best practice;
- support the organisation by ensuring that efficient and effective services and support mechanisms are in place; and
- ensure a smooth and successful transition to the new CMA.

6. Significant features of the development and performance of the organisation in the financial year

During 2012/13 there were 7 inquiries brought forward from the previous financial year and 22 new inquiries. Of these, 14 were completed, 2 were cancelled, and 13 carried forward to the next financial year. Of the 22 new inquiries received in 2012/13, 14 were merger inquiries, 2 were market investigations, 3 were reviews of undertakings, 2 were appeals under the Communications Act and 1 was an appeal under the Gas (Northern Ireland) Order 1996. (See Table 7.)

7. The main trends and factors that the Council considers likely to impact on future prospects

The CC is a purely reactive body, conducting inquiries only after it has received a reference from the OFT, another regulator or other body with powers to refer to the CC. The CC's workload

is therefore unpredictable and future prospects are affected by conditions in the economy as a whole, changes to the legal framework in which the CC works, and the OFT's and other regulators' practice on referrals.

8. The CC's resources and how they are managed

The CC's primary resource is its staff; 59 per cent of CC staff are skilled professionals with competition expertise in economics, law, accountancy and business analysis. Inquiries are managed by Inquiry Directors. Inquiry work is supported by inquiry administration teams and Corporate Services functions. Staff are managed by the Chief Executive, three Heads of Profession, a Senior Inquiry Director, a Director of Policy and a Director of Corporate Services.

9. The principal risks and uncertainties facing the CC and the approach to them

The principal day-to-day uncertainty facing the CC is the variability of its workload. To mitigate this the CC employs some staff on a short-term basis using fixed-term contracts, fee-paid workers, agency staff, contractors, and uses secondments both into and out of the CC to give maximum flexibility on staff numbers. The CC also arranges appropriate developmental secondments to other agencies when workload is lower.

The other major challenge facing the CC is pressure on its budget. The CC has been allocated a budget of £18.3 million for 2013/14. This budget allocation is likely to be insufficient mainly because of additional property costs due to a large increase in rates and the CC requiring tenants to vacate space in preparation for the CMA. The CC is currently forecasting an overspend of £3.5 million against its approved budget. BIS recognises that the CC has limited control over its workload, and due to having to meet statutory deadlines, has little flexibility in how it handles its work. The CC is likely to overspend its original 2013/14 budget. BIS intends to review this budget over the course of the financial year and to provide further resource support where considered necessary.

Management commentary (*continued*)

As mentioned above, the Government is moving forward with proposals to merge the CC and the OFT to form a single competition authority, the CMA, and to make other changes to the competition regime. The CC has identified three particularly important strategic risks relating to the proposals.

The first risk is that the eventual changes to the regime do not preserve the strengths of the current arrangements. In order to mitigate this risk, the CC has been actively involved in discussions with the Government about its proposed changes to the competition regime, and the changes proposed retain many of the strengths of the current arrangements. The CC will continue to work closely with the Government, the OFT and the CMA team to ensure that the new regime builds on the strengths of the existing one and is characterised by independent, high-quality and timely decision-making.

The second risk is that the prospect of structural change unsettles staff and as a result adversely affects the CC's day-to-day performance. To mitigate this risk, the CC will maintain clear lines of communication between management and staff during the transition process. At this stage it is not clear precisely when changes will start to be implemented and when any impact might be felt, but this risk will be closely monitored as the transition process proceeds.

The third risk is that the transition preparations and arrangements for the new competition regime are inadequate. The CC is working closely with the Government, the OFT and the CMA team to ensure that the transition arrangements are fit for purpose, and already has joint initiatives under way with the OFT in preparation for the merger, including shared staff training and knowledge sharing and working jointly on the design of the new authority, the process of transition and major changes to back office services such as Information Technology.

The CC has continued to manage its risks through its risk management processes and policies during 2012/13. These are more fully recorded in the Governance Statement (pages 64 to 73), specifically under the capacity to handle risk and the risk

and control structure. During 2012/13 there were no security or information assurance incidents reported to BIS or the Information Commissioner's Office.

10. Resources and liquidity

The accounts show a cumulative deficit on the Income and Expenditure Reserve of £8,985,000 at 31 March 2013. The CC's sponsoring department, BIS, has confirmed that there is no reason to believe that its future sponsorship will not be forthcoming within the capital and resource budgets set by Spending Review Settlements. The statement of financial position indicates a negative balance because of timing differences between consumption and payment. The CC draws grant-in-aid to cover its cash requirements.



David Saunders
Chief Executive and Secretary
Accounting Officer
20 June 2013

1. This employee data is calculated in a different way from the calculations in the accounts which look at costs. The difference is in part owing to the change in the way the base is calculated to exclude agency staff this year. For employee figures, the CC excludes agency workers and contractors.

TABLE 7 ORGANISATION PERFORMANCE

<i>Inquiry summary</i>	<i>Mergers</i>	<i>Markets</i>	<i>Remittals</i>	<i>Review of Undertakings</i>	<i>Energy Appeal</i>	<i>Appeal under Communications Act</i>	<i>Other regulatory matters</i>	<i>Total</i>
New inquiries 2012/13	14	2	0	3	1	2	0	22
Inquiries brought forward from 2011/12	3	3	0	0	0	1	0	7
Deduct inquiries cancelled	2	0	0	0	0	0	0	2
Deduct inquiries carried forward at 31/3/2013	7	4	0	2	0	0	0	13
Inquiries completed in 2012/13	8	1	0	1	1	3	0	14

Remuneration report

1. Remuneration policy

Remuneration of the Chairman, Deputy Chairmen and non-executives is set by the Secretary of State for BIS. The remuneration of the Chief Executive and all CC staff is considered by the CC's Remuneration Committee, which is chaired by Grey Denham (a non-executive Council member) and normally meets twice each year. The Committee takes into account any relevant recommendations of the Senior Salaries Review Body and government policy on public sector pay, and the CC's Chairman seeks approval from BIS for the Chief Executive's pay and bonus proposals.

2. Appointments

Members of the Council are appointed by the Secretary of State for fixed terms in accordance with the Competition Act 1998 as amended by the Enterprise Act 2002. (See Table 8.)

3. Council members' remuneration

The following information is subject to audit.

The remuneration of members of the Council of the CC is given in Table 9.

Benefits in kind were zero. Taxable expenses relate to home to office travel, which are paid by the CC, including the income tax and National Insurance thereon. The Chief Executive received a bonus payment for 2012/13 of £9,800 which is included in the salary costs.

Salary payments shown above for Ms Penny Boys, Mr Grey Denham, Dame Janet Paraskeva and Ms Lesley Watkins relate to fees paid. Dame Patricia Hodgson's appointment came to an end in December 2011.

The salaries for Mr Roger Witcomb, Mr Simon Polito and Mr Alasdair Smith include payment in lieu of pension as they have all opted not to join the CC's pensioned by analogy to the Principal Civil Service Pension Scheme (PCSPS).

The total remuneration of the most highly-paid director in the CC in the financial year 2012/13 was £149,800. This was three times the median salary of the workforce (2011/12, 3.1 times), which was £50,146 (2011/12 £48,810).

In 2012/13, (2011/12, none) no employees received remuneration in excess of the highest-paid director. Remuneration ranged from £18,000 to £140,000 (2011/12 £18,000 to £140,000)

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

4. Pension details of Council members

Professor Martin Cave was pensioned by analogy to the PCSPS, gaining benefits commensurate with his salary and service. No contributions are made to this scheme by the CC but the pensions are paid to retired members when they become due. Mr Roger Witcomb, Mr Simon Polito and Mr Alasdair Smith have opted not to be part of the PCSPS scheme and the CC is not paying any contributions to a private scheme. Mr David Saunders is a member of the PCSPS scheme and the pension benefits quoted below are accrued from his total civil service employment not just his time with the CC. As non-executives, Ms Penny Boys, Mr Grey Denham, Dame Janet Paraskeva and Ms Lesley Watkins are not part of the pension scheme.

The members quoted do not have pension arrangements that differ from the standard.

The members quoted are not contributing at a rate other than the standard PCSPS rate.

The figures in column 5 of Table 10, at the start of period cash equivalent transfer values (CETV) for 2012/13, are slightly different from the final period CETV 2011/12 shown in the accounts for 2011/12 due to certain factors being incorrect in last year's CETV calculator.

TABLE 8 COUNCIL MEMBER APPOINTMENTS

	<i>Date appointed</i>	<i>Date appointment ends</i>
Mr Roger Witcomb (Chairman)*	7 May 2011	31 March 2014
Professor Martin Cave (Deputy Chairman)	2 January 2012	1 January 2015
Mr Simon Polito (Deputy Chairman)	9 January 2012	8 January 2015
Professor Alasdair Smith (Deputy Chairman)*	10 January 2012	9 January 2015
Ms Penny Boys (non-executive)	20 November 2012	1 December 2014
Mr Grey Denham (non-executive)*	1 September 2009	31 August 2013
Dame Janet Paraskeva (non-executive)	20 November 2012	1 December 2014
Ms Lesley Watkins (non-executive)*	1 September 2009	31 August 2015
Mr David Saunders (Chief Executive)	9 February 2009	8 February 2014

*Member of the Remuneration Committee as at 31 March 2013.

TABLE 9 REMUNERATION OF COUNCIL MEMBERS

	<i>Salary</i>	<i>Pension contributions</i>	<i>Taxable expenses</i>	<i>2012/13 Total</i>	<i>2011/12 total</i>
Mr Roger Witcomb (Chairman)	177,128		2,076	179,204	140,602
Professor Martin Cave (Deputy Chairman)	102,640		643	103,283	18,238
Mr Simon Polito (Deputy Chairman)	127,582		2,738	130,320	25,554
Professor Alasdair Smith (Deputy Chairman)	127,582		1,260	128,842	29,887
Ms Penny Boys (non-executive)	1,800			1,800	0
Mr Grey Denham (non-executive)	6,475			6,475	5,950
Dame Janet Paraskeva (non-executive)	1,800			1,800	0
Ms Lesley Watkins (non-executive)	6,875			6,875	5,600
Dame Patricia Hodgson	0			0	4,550
Mr David Saunders (Chief Executive)	149,800	33,388		183,188	182,535

Remuneration report (continued)

TABLE 10

	Column 1 Real increase in pension £'000	Column 2 Real increase in lump sum £'000	Column 3 Pension at 31/03/13 £'000	Column 4 Lump sum at 31/03/13 £'000
Professor Martin Cave	0-2.5	N/A	1-5	N/A
Mr David Saunders	0-2.5	0-5	60-65	181

TABLE 10 (CONTINUED)

	Column 5 CETV at 31/03/12 (nearest £'000)	Column 6 CETV at 31/03/13 (nearest £'000)	Column 7 Employee contributions and transfers in £'000	Column 8 Real increase in CETV after adjustment for inflation and changes in market investment factors (nearest £'000)
Professor Martin Cave	9	46	4-4.5	32
Mr David Saunders	1,278	1,355	3.5-4	7

Cash equivalent transfer values:

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a calculation of a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of his or her total membership of the pension scheme, not just his or her service in a senior capacity to which disclosure applies. The CETV figures, and the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the civil service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of his or her purchasing additional years of pension service in the scheme at

his or her own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.



David Saunders
Chief Executive and Secretary
Accounting Officer
20 June 2013

Statement of the CC's and the Accounting Officer's responsibilities

Under paragraph 12 of Schedule 7 to the Competition Act 1998, the Secretary of State, with the approval of the Treasury, has directed the CC to prepare a financial statement for each financial year in the form and on the basis set out in the Accounts Direction. The financial statements are prepared on an accruals basis and must give a true and fair view of the CC's state of affairs at the year end and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing financial statements the CC is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- (i) observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- (ii) make judgements and estimates on a reasonable basis;
- (iii) state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and

- (iv) prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the CC will continue in operation.

The Accounting Officer for BIS has designated the Chief Executive of the CC as the Accounting Officer for the CC. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping of proper records and for safeguarding the CC's assets, are set out in the Accounting Officer's Memorandum issued by the Treasury and published in *Managing Public Money*.

Governance statement

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of governance and internal control that supports the achievement of the CC's statutory obligations, policies, aims and objectives, whilst safeguarding the public funds and the CC's assets for which I am personally responsible, in accordance with the responsibilities assigned to me as set out in *Managing Public Money*.

As Accounting Officer, I have responsibility for ensuring that the CC meets quarterly with its sponsor department the Department for Business, Innovation and Skills (BIS). At these meetings, BIS is informed of all high level risks, and in particular any affecting our financial situation.

I am also (as the Secretary of the CC) a member of the CC's Council.¹ The Council is the CC's strategic board and is responsible for ensuring the efficient discharge of the CC's statutory functions and that the CC complies with any statutory or administrative requirements for the use of public funds.

I am responsible for:

- advising the Council on the discharge of the CC's responsibilities as defined in the CC's Framework Document which, together with the CC's Financial Memorandum, sets out the broad structure within which the CC will operate;
- advising the Council on the CC's performance against its aims and objectives;
- ensuring that financial considerations are taken into account fully by the Council at all stages in reaching and executing its decisions, and that appropriate financial appraisal techniques are followed; and
- taking action as set out in *Managing Public Money* if the Council, or its Chairman, is contemplating a course of action involving a transaction which I consider would infringe the requirements of propriety or regularity, does not represent prudent or economical administration, is of questionable feasibility, or is unethical.

I am also personally responsible for:

- the propriety and regularity of the use of public finances for which I am answerable;
- the keeping of proper accounts;
- prudent and economical administration;
- the avoidance of waste and extravagance; and
- the efficient and effective use of all the resources in my charge.

The purpose of the governance statement

The governance statement, for which I as Accounting Officer take personal responsibility, is intended to give a clear understanding of the dynamics of the CC's business and its control structure. Essentially, it aims to record the stewardship arrangements of the CC and to supplement the accounts, providing a sense of how the CC has performed against its targets and objectives, and of how successfully it has coped with the challenges it faces.

This statement also explains how the CC has complied with the principles of good governance and reviews the effectiveness of these arrangements.

The CC's governance framework and system of internal control

Overview

The CC's governance framework and system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve statutory obligations, policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is an ongoing process designed to:

- identify and prioritise the risks to the achievement of the CC's statutory obligations, policies, aims and objectives;
- evaluate the likelihood of those risks being realised and the impact should they be realised; and

- manage them efficiently, effectively and economically.

The CC's governance framework and system of internal control has been fully in place in the CC for the year ended 31 March 2013 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury and Cabinet Office guidance. At no time has any part of the CC's system of control failed or been suspended.

The CC's governance framework

The CC's Council

The Council comprises the Chairman, three Deputy Chairmen, the Secretary (Chief Executive) and four non-executive directors (NEDs).² The Council has terms of reference in place, which are supported by a Code of Conduct for Council members. It meets on average seven times a year. Its primary role is to be the CC's strategic board and it is responsible for ensuring:

- the efficient discharge of the CC's statutory functions;
- that the CC complies with any statutory or administrative requirements for the use of public funds;
- that effective arrangements are in place to provide assurance on risk management, governance and internal control; and
- that the CC fulfils its statutory duties.

Additionally the CC's Council ensures that the CC:

- observes the highest standards of propriety involving impartiality, integrity and objectivity in relation to the stewardship of public money;
- maximises value for money;
- is accountable to Parliament, users of services, individual citizens and staff for the activities of the CC, its stewardship of public funds and for its performance; and
- complies with government policies and guidance on openness, responsiveness and for ensuring that appropriate ethical standards are in place.

The Council is supported by a Remuneration Committee and Audit Committee, both of which are chaired by NEDs.

The Council is also supported in its inquiry related work by four specialist 'Groups', the Analysis Group (AG), the Finance and Regulation Group (FRG), the Remedies Standing Group (RSG) and the Practices and Procedures Group (P & P), which have the following roles:

- The AG oversees the CC's approach and policies in relation to analysing the effects on competition of mergers in merger references, and features in markets during market investigations.
- The FRG oversees the CC's approach and policies in relation to analysing issues in references relating to regulated sectors under the relevant regulatory statutes.
- The RSG oversees the CC's approach and policies in relation to taking remedial action in market investigation references and merger references. The RSG also has a statutory role in implementing remedies and varying, releasing or revoking undertakings or orders.
- The P & P oversees the CC's procedures in relation to the conduct of inquiries and appeals in order to promote efficient and best practice, and, as appropriate, ensure consistent practice across inquiries.

All four groups aim to ensure that the CC's expertise and guidance is appropriately developed and applied as circumstances dictate and to ensure that the CC delivers its inquiry work effectively.

Additionally, the Council receives relevant information from the CC's CMA transition teams to enable them to ensure that suitable mechanisms and structures are in place to support the CC through transition to the CMA in April 2014.

Senior Management Team

The Senior Management Team (SMT) meets on a fortnightly basis and comprises the Chief Executive, the three Heads of Profession (the Chief Legal Adviser, the Chief Economist and the Chief Financial & Business Adviser & Head of Remedies),

Governance statement (*continued*)

the Senior Inquiry Director, the Policy Director and the Director of Corporate Services. SMT considers and discusses:

- significant changes in current inquiry and non-inquiry policies, procedures and good practice and/or the potential introduction of new policies;
- significant changes and/or significant issues arising in connection with CC internal and external guidance in relation to its inquiry work;
- wider policy matters that impact on the CC or in which the CC might become involved;
- corporate governance, business and corporate planning and annual reporting;
- budget setting, financial and resource prioritisation;
- financial reporting including expenditure against budget and forecast under/overspends on a monthly basis;
- risk management including reviewing the SMT risk register on a quarterly basis;
- business continuity planning;
- data handling, information assurance and security;
- staff development, retention and recruitment;
- decisions affecting services and support provided by the Corporate Services team, ensuring that these meet the needs of the CC; and
- the CC's external role and in particular relations with key stakeholders.

The SMT and Chief Executive are supported by a number of sub-groups including a Business Continuity Group, Security

Working Group (SWG), EDRM and ICT user group, CC Programme Board, etc.

Council performance

The Council discusses and makes any strategic decisions that impact on the CC.

In 2012/13 its focus has been on risk management, budgetary control, the implications of the merger of the CC with the OFT to create the CMA on 1 April 2014, including assisting the CMA with transition whilst ensuring that the CC continues to deliver against its core objectives, staff training and welfare, and changes in policy that will affect the CC's work.

No recommendations were made during the year by the Audit Committee or the Remuneration Committee to Council as a result of an adverse finding or concern highlighted during the course of their work.

During the last 12 months the CC has appointed two new NEDs to assist with the transition to the CMA. The Council has functioned effectively during the year. Given that the CC appointed two new NEDs late in 2012 and the pending closure of the CC in 2014, the CC has decided not to conduct a formal assessment of the performance of the CC's Council in 2012/13.

All members of the CC's Council have complied with the CC's Code of Practice throughout the year and are on the CC's payroll, therefore paying National Insurance and PAYE as appropriate.

The CC's Council met seven times during the reporting period; attendance at Council and the CC's Audit Committee and Remuneration Committee is reported in Table 11.

During the year the Council has had two meetings with the board of the OFT to discuss matters of mutual interest, to facilitate joint working and to enhance relations between the two organisations.

TABLE 11 COUNCIL ATTENDANCE

<i>Board member</i>	<i>Council</i>	<i>Audit Committee</i>	<i>Remuneration Committee</i>
Mr Roger Witcomb (Chairman)	7	*	2
Professor Martin Cave (Deputy Chairman)	6	*	*
Mr Simon Polito (Deputy Chairman)	7	*	*
Professor Alasdair Smith (Deputy Chairman)	5	*	2
Penny Boys CB (appointed 10/12/12)	2	*	*
Dame Janet Paraskeva (appointed 10/12/12)	2	*	*
Mr Grey Denham (non-executive)	7	4	2
Ms Lesley Watkins (non-executive)	7	4	2
Mr David Saunders (Chief Executive)	7	4†	2†

*Not a member of the committee during the year

†An attendee rather than a member of the committee

Risk and internal control framework

The risk and control structure

The CC's Risk and Data Handling Policy sets out responsibilities for the identification, evaluation and control of risks including data handling, information and IT risks recorded in the CC's risk register.

The nature and impact of the CC's work leads the CC to balance its risks carefully. The CC has a low appetite for risk in its operations (while being fully prepared to reach potentially contentious conclusions in its inquiries, on the basis of the evidence, and therefore to face the risk of challenge in the courts).

The CC's Risk and Data Handling Policy defines the importance of managing the CC's risks and is in line with

HMG's risk appetite as identified by HMG Chief Information Officer. The CC's risk register reflects the CC's risk tolerance. Where residual risks are classified as low, the CC will accept the risk. Where risks are ranked as medium or high, the CC will endeavour to mitigate the risk. The CC will, however, always monitor any residual risks classified as low to ensure that the risk is correctly assessed and does not change materially.

The following processes are in place as part of the CC's overall risk and control framework and demonstrate how risk management is embedded into the work and decision-making of the CC:

- (i) The Council must ensure that appropriate arrangements are in place in relation to risk management, governance and internal control to enable the Council to assure itself of the effectiveness of the internal control and risk management systems within the CC.
- (ii) SMT includes the Senior Information Risk Owner (SIRO) and senior representatives from across the CC. SMT usually meets twice a month with a standard agenda item covering any exceptional issues that need to be reported, and any risk and data handling issues of concern can be addressed at this time; ad-hoc meetings can be arranged if there is an urgent issue that needs to be discussed. In addition, SMT specifically meets quarterly to discuss risk and information risk management. In terms of risk management, SMT has the following overarching objectives and is assisted by the Planning department in ensuring that:

- the operational and other risks faced by the CC in carrying out its functions have been properly identified and are evaluated regularly and monitored by management at appropriate levels;
- The CC considers all types of risks including ethical and reputation risks, including those risks related to contracted-out services to non-public office holders;

Governance statement (*continued*)

- appropriate and effective procedures have been established and are maintained by management to address the identified risks;
 - risk owners and those responsible for taking forward individual risks ensure that:
 - identified controls are effectively managed and regularly reviewed;
 - additional actions highlighted in the plan are carried forward; and
 - contingency plans are workable and robust; and
 - the existing management structures enable risk to be managed appropriately.
- (iii) The following positions are responsible for managing specific parts of the CC's risk register:
- Those risks that are identified as strategic are managed by Council. However, SMT has a key role in ensuring that relevant risks are put up to Council for consideration, review and potential reclassification or inclusion as a strategic risk. The Council will also identify risks.
 - Objective 1 risks (make the right decisions in market investigations, merger inquiries and regulatory appeals) are managed by the Chief Economist (in consultation when necessary with the Analysis Group or the Economist team).
 - Objective 2 risks (Take the right remedial action and implement proportionate and effective remedies) are managed by the Chief Business Adviser (in consultation when necessary with the Remedies Standing Group or the Remedies team).
 - Objective 3 risks (conduct fair and transparent processes) are managed by the Chief Legal Adviser (in consultation when necessary with the Practices and Procedures Group or the Legal team).
 - Objective 4 risks (ensure no undue burden on business or taxpayers) are managed by the Senior Director, Inquiries (in consultation when necessary with the Practices and Procedures Group or the Inquiry team).
 - Objective 5(a) risks (ensure positive engagement with CC Stakeholders and external representation of the CC) are managed by the Director of Policy.
 - Objective 5(b) risks (influence the development of international competition policy and implementation and learn from international best practice) are managed by the Head of International.
 - Objective 6 risks (support the organisation by ensuring efficient and effective services and support mechanisms are in place) are managed by the Director of Corporate Services (in consultation with the Corporate Services Management Team, and the Corporate Services Review Group). Objective 6 risks also include risks associated with information assurance and personal data.
- (iv) A key purpose of the groups and staff teams identified above is to provide a review group for the SMT leader to consult, to consider whether there are suitable mitigating actions or contingency plans in place. They may also suggest new risks or challenge the current risks as well as the rating given to individual risks.
- (v) Below SMT, a number of individuals are also responsible for managing specific risks. These are set out below. Any significant risks identified by them are included on the CC risk register.

- Individual Inquiry Directors are responsible for risks associated with each inquiry and report on the progress and risks associated with each inquiry through the Inquiry Progress Report. Any key risks are fed back by the Senior Director, Inquiries.
 - Corporate Services managers are responsible for managing and recording risks within their area of responsibility:
 - Head of HR – considers risks related to HR and Internal Communications.
 - Head of Finance and Facilities—considers risks related to finance, procurement and facilities.
 - Head of IS—considers risks in relation to Information Services, and the Information and Administrative Services unit.
 - Head of Planning—considers risks in relation to business planning, Freedom of Information, Data Protection and the Members Support Unit.
 - Any key risks are fed back by the Director of Corporate Services.
- (vi) Every manager within the CC is responsible for identifying the types of risks that fall within their own remit.
- (vii) An annually updated Corporate and Business Plan is agreed with BIS. It contains the CC's priority objectives from which the objectives of all functions, teams and managers are derived.
- (viii) Project plans are drawn up for all inquiries and Inquiry Directors report progress to me on a weekly basis. A formal progress report on the status of each inquiry is issued at key stages of the inquiry and the progress report identifies key risks facing the inquiry, which are discussed in a progress meeting. Upon completion of the inquiry, formal reports are issued commenting on all aspects of the inquiry plan and process.
- (ix) Financial control and value-for-money considerations are overseen by the Head of Finance and the Procurement Officer through the financial and procurement policy and procedures, a strict delegated financial authority structure, control of purchases through a purchase order system and by a monthly financial reporting system to all senior managers.
- (x) The Director of Corporate Services reviews and signs off data sets of accounts payable transactions on a monthly basis.
- (xi) Mechanisms are in place to ensure that all CC contractors are compliant with the intermediaries legislation (IR35)—Working through an intermediary, such as a Personal Service Company. Additionally, the Efficiency Reform Group has put in place a number of financial controls with which the CC complies. This includes ensuring that robust processes are in place for procurement, travel, events and hospitality and that these processes are reviewed annually as part of the CC's internal audit programme.
- (xii) Following the Managing Risk of Financial Loss exercise in 2011/12 the CC has an action plan in place to address any weaknesses. Plans have been progressed as agreed and principles now embedded in the CC.
- (xiii) A CC Programme Board (CCPB) meets to review the progress on all CC projects, sets long-term CC strategy goals and reviews benefits of completed projects.
- (xiv) Project Boards are established for all major projects in accordance with Prince 2 project management guidelines to ensure that projects are managed under generally

Governance statement (*continued*)

accepted project management techniques, including identification and assessment of project risks.

- (xv) A Staff Council, with representatives from staff at all levels, meets at least three times a year to advise staff of changes affecting the organisation and to take account of their views and concerns.
- (xvi) Responsibility for the CC's health and safety procedures (including the maintenance of annual external audits) is delegated to an officer. Health and Safety is a standard agenda item at Staff Council. Additionally the SWG is responsible for ensuring that the CC complies fully with Health and Safety legislation.
- (xvii) A staff Code of Conduct is in place to which staff must adhere to ensure high standards of ethical behaviour, openness and accountability.

Public stakeholders are not involved in the management of risk because of the nature of the CC's work.

The CC's risk and control framework ensures that changes in the day-to-day working practices of the CC can be made quickly and embedded into the CC's practices and procedures.

Capacity to handle risk

The CC actively identifies, assesses and manages key risks using the CC's risk register. In order to mitigate its risks, the CC has a clearly defined risk management structure. Each member of SMT is responsible for managing the risks associated with their corporate plan objectives for 2013/14. The risk register records all the CC's core risks by the risk owner, the corporate plan objective and area of work directly affected by the risk. The risk register also includes the CC's most significant or strategic risks which are managed by the Council.

The risk management process allows the CC to monitor and manage effectively any risk that it faces, including new risks that have developed as part of a changing risk environment and pan-

directorate risks (ie risks that have an impact across more than one directorate). The CC's Risk and Data Handling Policy was formally endorsed by the Audit Committee on 6 March 2013.

The following risk management processes are in place:

- (i) Those risks that are identified as strategic are managed by Council. Council reviews the CC's strategic risks at each Council meeting.
- (ii) At each Audit Committee meeting a member of SMT attends to discuss with the Audit Committee³ the risks that they manage. Discussions provide assurance to the Audit Committee that risks have been properly identified, evaluated and monitored; that appropriate procedures are established to address the risks identified; that staff are aware of risk management practices; and that risk training is undertaken as necessary. Additionally the Audit Committee reviews the management of Council and SMT risks at each meeting.
- (iii) All managers of risks are given internal training and directed to the Risk and Data Handling Policy published on the intranet. Further external training is available through Civil Service Learning. SMT's commitment to the management of risk is set out in its terms of reference and supported by the Risk and Data Handling Policy.
- (iv) SMT is responsible for the maintenance of the CC's risk register in which risks have been ranked in terms of impact and likelihood. This register is updated regularly.
- (v) SMT is also responsible for advising Council about key strategic risks.
- (vi) SMT is responsible for overall security, data handling and information assurance policies and procedures and overseeing effective security management.

- (vii) The Business Continuity Group (BCG), comprising relevant Heads of Function, which I chair, is responsible for business continuity planning and contingency operations. Also a team of Incident Controllers is in place to deal with any immediate emergencies that may occur. Off-site HQ facilities and off-site IT arrangements are in place to ensure that the CC and/or core IT systems are up and running as soon as possible.
- (viii) Policies are in place in the event of a pandemic or a terrorist attack.

Data policy

- (i) The SWG works alongside the BCG and reports to SMT and the Audit Committee. It is responsible for ensuring that the CC implements guidance on the protection and security of its IT, physical and data assets. They implement guidance from:
 - Communications-Electronics Security Group (CESG) which is the national technical authority for information assurance;
 - Cabinet Office; and
 - the Centre for the Protection of the National Infrastructure (CPNI).
- (ii) The Director of Corporate Services, who is the Chair of the Committee, is also the CC's Departmental Security Officer (DSO) and SIRO. During 2012/13 there were no security data incidents that needed to be reported to the Information Commissioner or Cabinet Office or CESG.
- (iii) The SWG is supported by a Security Incident Team (SIT) that deals with data losses and information breaches.
- (iv) The SIRO, with the help of the SWG, completed the following information assurance returns for 2012/13:

- Cabinet Office Security Risk Management Overview (SRMO) 2012/13; and
- BIS Security Policy Framework (SPF) return.

Both of these returns have been independently validated and audited by the CC's internal auditors (BIS Internal Audit Service).

- (v) Additionally the CC has used the Cabinet Office Information Assurance Maturity Model (IAMM) to review its Information and Communication Technology (ICT) systems and processes. The review identified that the CC is currently fully compliant with the 2018 IAMM target threshold, and all of the 2010 targets; we continue to work towards achieving maturity indices levels 4 and 5.

Following a review by the SWG on the 27 February 2013, and approval by me, the returns were submitted to BIS on 5 March 2013. Additionally a post-submission review/discussion took place at the SWG meeting on the 14 April 2013.

The CC also completes annual assessment and data handling returns to BIS. These returns have provided a high degree of assurance that appropriate processes and systems are in place to ensure that the CC is able to handle security and information assurance risks effectively.

New risks

Two new strategic risks were identified during the year:

- The potential destabilising effect of the transition to the CMA alongside the deterioration in pay and employment conditions as a result of broader government policy may adversely affect staff morale and the CC's performance. Staff may choose to leave the CC as a result and the CC may struggle to recruit experienced replacements.
- The CC is forecasting an overspend against its indicative budget for 2013/14 due to the CC being unable to let vacant

Governance statement (*continued*)

accommodation within Victoria House at the headline rent for part of the financial year and then needing to ask tenants to vacate accommodation to house the CMA.

Ministerial directions

No ministerial directions were given in the year.

Internal Audit

The CC's Internal Audit Service (IAS) looks at the CC's risk management and governance processes on an annual basis. A different aspect is reviewed each year as part of the IAS audit plan.

The IAS 2012/13 Annual Report states:

As Head of Internal Audit, I am required to provide the Accounting Officer with an opinion on the overall adequacy and effectiveness of the organisation's framework of risk management, control and governance.

The overall level of assurance I provide reflects the degree of confidence that I have in the effective operation of the framework that has operated across the entire organisation. Determination of the level of assurance is a judgement informed by the scope of audit work undertaken and interpretation of the findings from individual assignments, but also informed by the results of follow-up actions from previous years, the annual review of corporate governance, knowledge of the business environment, effects of any material changes in the organisation's objectives or activities, counter fraud measures, and matters arising from previous reports or other assurance providers such as the National Audit Office (NAO).

We planned our work so that we had a reasonable expectation of detecting significant control weaknesses in each of the areas covered. However, internal audit procedures alone, although they are carried out with due professional care, do not guarantee that fraud will be detected. Accordingly, our examinations

should not be the sole means relied upon to detect fraud, defalcations or other irregularities which may exist.

Annual opinion on internal controls

	<i>Unsatisfactory</i>	<i>Improvement required</i>	<i>Satisfactory</i>
Overall Assurance Level			⊗

This Satisfactory opinion, on the design, adequacy and effectiveness of the system of internal control operating within the CC, is based on the work we have undertaken; the overall internal audit programme; and management actions resulting from our work for the 12 months ended 31 March 2013. We identified no significant control weaknesses in the specific systems and processes reviewed as part of our work that could have had an impact on the achievement of the organisation's objectives.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system is informed by the work of the internal auditors, the executive managers within the CC who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports. The CC has strong risk management processes in place, and seeks to ensure that these processes help the CC to mitigate any risk effectively. My review of the effectiveness of the system of internal control as part of the governance statement process has been considered by the Council and the Audit Committee. I am content that plans are in place to identify and address weaknesses, and to ensure continuous improvement, for example completing the SRMO and SPF returns, conducting the ICT IAMM review, considering the Information Assurance Strategy and taking any mitigating action required as part of the CC's overall risk management process.

The following processes were in place to maintain and review the effectiveness of the system of internal control:

- (i) A Council that meets at least six times a year to consider the plans and strategic direction of the CC and to review recent inquiries, high-level risks and discuss best practice across inquiry groups.
- (ii) An Audit Committee chaired by a non-executive member of Council which meets at least four times a year to advise me in my role as Accounting Officer on the adequacy of audit arrangements (internal and external) and on the implications of assurances provided in respect of risk and control in the CC. If appropriate, I will raise any concerns that I may have with Council. The Audit Committee provides regular updates on its activities to Council.
- (iii) An internal audit service. This has been provided by BIS Internal Audit Service from April 2010 to date; during the year they gave the CC's Audit Committee an opinion of the CC's internal controls as being adequate and effective.
- (iv) The work of the SIRO supported by the SWG, specifically in relation to the Security Policy (the CC's security manual for staff, members and contractors) and in meeting Cabinet Office Information Assurance requirements.



David Saunders
 Chief Executive and Secretary
 Accounting Officer
 20 June 2013

The internal auditors report regularly to standards defined in the Government Internal Audit Standard and the Head of Internal Audit reports on the adequacy and effectiveness of the CC's system of internal control and provides recommendations for improvement. The Audit Committee reviews the progress on implementing any recommendations.

Significant control issues

As part of the review of effectiveness, I am required to disclose any actions taken or proposed to deal with significant control issues. Taking into account the tests in *Managing Public Money*, external audit and value-for-money reports I can confirm that the CC has not had any significant control issues during 2012/13 and currently has no significant weaknesses to address.

-
- 1. As provided by Schedule 7 to the Competition Act 1998, the Council is composed of the Chairman and the secretary of the CC, appointed persons and such other members as the Secretary of State may appoint. The Council currently comprises the Chairman, the Secretary, three Deputy Chairmen and four NEDs.
 - 2. Two new NEDs, Dame Janet Paraskeva and Penny Boys CB, joined the CC on 10 December 2012.
 - 3. The Audit Committee comprises three non-executive Members of Council one of whom is an Accountant, and one Member of the CC.

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Competition Commission for the year ended 31 March 2013 under the Competition Act 1998. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Board, Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Competition Act 1998. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Competition Commission's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Competition Commission; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Competition Commission's affairs as at 31 March 2013 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Competition Act 1998 and Secretary of State's directions issued there under.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Competition Act 1998; and
- the information given in the Council's Report and Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157–197 Buckingham Palace Road
Victoria
London SW1W 9SP
21 June 2013

Statement of Comprehensive Net Expenditure for the year ended 31 March 2013

	<i>Note</i>	2012/13 £'000	2011/12 £'000
Expenditure:			
Staff costs	2	10,303	8,758
Members costs	2	1,347	1,198
Depreciation	6,7 & 8	853	908
Other expenditure	3	13,473	10,527
		25,976	21,391
Income			
Other income	4	(3,935)	(4,204)
Net expenditure		22,041	17,187
Interest receivable		(4)	(4)
Net expenditure after interest		22,037	17,183
Corporation Tax		1	1
Net expenditure after interest and tax		22,038	17,184
Total comprehensive expenditure for the year ended 31 March		22,038	17,184

There was no other comprehensive expenditure.

The notes on pages 79 to 95 are part of these financial statements.

Statement of Financial Position as at 31 March 2013

	Note	31 Mar 13 £'000	31 Mar 12 £'000
Non-current assets:			
Property, plant and equipment	6	3,627	4,572
Intangible assets	7	158	218
Dilapidations asset	8	1,627	1,745
Trade and other receivables due after one year	10	1,814	1,778
Total non-current assets		7,226	8,313
Current assets:			
Trade and other receivables due within one year	10	422	481
Cash and cash equivalents	11	103	231
Total current assets		525	712
Total assets		7,751	9,025
Current liabilities:			
Trade and other payables	12	(2,488)	(1,712)
Total current liabilities		(2,488)	(1,712)
Non-current assets less current liabilities		5,263	7,313
Non-current liabilities:			
Provisions	13(a)	(3,099)	(3,036)
Pension liabilities	13(b)	(2,138)	(2,197)
Other payables	12	(9,011)	(8,782)
Total non-current liabilities		(14,248)	(14,015)
Assets less liabilities		(8,985)	(6,702)
Taxpayers' equity:			
Income and expenditure reserve		(8,985)	(6,702)
		(8,985)	(6,702)

The notes on pages 79 to 95 are part of these financial statements.



David Saunders
Chief Executive and Secretary
Accounting Officer
20 June 2013

Statement of Cash Flows for the year ended 31 March 2013

	<i>Note</i>	2012/13 £'000	2011/12 £'000
Cash flows from operating activities:			
Net deficit after interest		(22,038)	(17,184)
Depreciation	6,7 & 8	853	908
Devaluation/(revaluation)	3	617	(291)
Decrease/(increase) in trade and other receivables	10	23	(233)
Increase in trade payables	12	1,005	107
Net utilisation of provisions	13	(59)	61
Net cash outflow from operating activities		(19,599)	(16,632)
Cash flows from investing activities:			
Purchase of property, plant and equipment	6	(284)	(277)
Purchase of intangible assets		-	(24)
Net cash outflow from investing activities		(284)	(301)
Cash flows from financing activities:			
Grant from parent department		19,755	17,037
		19,755	17,037
Net financing		(128)	104
Net (decrease)/increase in cash and cash equivalents in the period		(128)	104
Cash and cash equivalents at the beginning of the period		231	127
Cash and cash equivalents at the end of the period		103	231

Prior year figures for depreciation and net utilisation of provisions have been restated due to a misclassification between the two. The notes on pages 79 to 95 are part of these financial statements.

Statement of Changes in Taxpayers' Equity

	<i>I&E reserve</i>	<i>Revaluation reserve</i>	<i>Total reserves</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Balance as at 31 March 2011	(6,555)	-	(6,555)
Changes in Taxpayers' Equity 2011/12			
Comprehensive expenditure for the year	(17,184)		(17,184)
Grant from parent	17,037		17,037
Balance as at 31 March 2012	(6,702)	-	(6,702)
Changes in Taxpayers' Equity 2012/13			
Comprehensive expenditure for the year	(22,038)		(22,038)
Grant from parent	19,755		19,755
Balance as at 31 March 2013	(8,985)	-	(8,985)

The notes on pages 79 to 95 are part of these financial statements.

Notes to the Financial Statements

1. Accounting policies

These financial statements have been prepared in accordance with the 2012/13 Government Financial Reporting Manual (FReM). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of the CC for the purposes of giving a true and fair view has been selected. The particular policies adopted by the CC for the purpose of financial reporting are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

There were no new standards issued up to 31 March 2013 and not applied that would materially affect the resource accounts. The CC has also not adopted any standards early.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property assets.

(a) Income

The net cash needs of the CC are financed by grant-in-aid from BIS.

Income relates mainly to charges to tenants for occupancy and service charges for Finance, IT and Facilities along with charges to other government bodies for secondees. Income is recognised when the service is provided.

(b) Non-current assets

Expenditure on non-current assets is capitalised. Intangible non-current assets comprise software licences. Tangible non-current assets comprise IT equipment such as servers, PCs and printers as well as office fixtures and fittings and office leasehold improvements. The capitalisation threshold limits and depreciation policy are explained below and at note (c). Tangible assets are carried at fair value.

Expenditure on major IT projects is capitalised. This includes expenditure directly incurred on hardware, software and appropriate consultants' costs.

Non-current assets are capitalised where the cost is £1,000 or more. However, for grouped purchases of IT equipment, IT

software or fixtures and furniture, individual items with a cost of £200 or greater are capitalised where the total grouped purchase is £1,000 or more.

Consultants' expenditure is generally charged to the Comprehensive Net Expenditure Account when incurred. However, where the level of expenditure is over £100,000 and creates a distinct asset for the CC which has a life of more than one year, consultants' costs that are directly attributable to the asset are capitalised.

Assets in the course of construction are capitalised at purchase cost and then depreciated from the date that they become operational.

Depreciated historical cost is used as a proxy for fair value as this realistically reflects consumption of the assets. This is used for non-property assets that have a short useful economic life and/or have a low value (ie IT, fixtures and fittings and intangibles). Revaluations would not cause a material difference.

The leasehold asset is revalued each year using private commercial output price indices supplied by the Office for National Statistics. These indices can either go up, increasing the value of the asset, or fall, which causes a devaluation of the asset.

(c) Depreciation

Depreciation is charged in respect of all capitalised non-current assets and charged to the Comprehensive Net Expenditure Account at rates calculated (less any estimated residual value) for each asset evenly over its expected useful life as follows:

Intangible non-current assets

Software licences	2 to 4 years
-------------------	--------------

One item of software is being amortised over 10 years

Tangible non-current assets

IT	3 to 5 years
Fixtures & furniture	5 to 10 years
Leasehold dilapidations	20 years
Leasehold improvements	20 years, ie over lease term

(d) Taxation

(i) The CC is liable for Corporation Tax on interest earned on bank deposits.

Notes to the Financial Statements (*continued*)

(ii) Costs shown for capitalised non-current assets include related Value Added Tax (VAT). Expenditure in the Comprehensive Net Expenditure Account is also shown inclusive of VAT, with the exception of costs relating to property subletting and some miscellaneous trading activities. The CC charges VAT to its tenants on property transactions and reclaims VAT on its related expenditure. Expenditure on property that is sublet and expenditure on miscellaneous trading activities is shown exclusive of VAT in the Comprehensive Net Expenditure Account.

(e) Pensions

Full staff and members pension details are given in note 16.

Provision is made for the actuarially assessed liability of the CC's 'PCSPS by analogy' pension scheme for members who are or were Chairmen or Deputy Chairmen. In accordance with HM Treasury guidelines, the full calculated pension liability is accrued and recognised in the Comprehensive Net Expenditure Account.

No recognition of the staff PCSPS scheme is made in the CC's accounts as this is an unfunded multi-employer defined benefits scheme and the CC is unable to identify its share of the underlying assets and liabilities. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the schemes, the CC recognises the contributions payable for the year.

(f) Operating leases

Rentals are charged to the Comprehensive Net Expenditure Account in equal amounts over the lease term.

(g) Going concern

BIS has confirmed that there is no reason to believe that its future sponsorship will not be forthcoming within the capital and resource budgets set by Spending Review Settlements for the financial year 2013/14. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

The CC's assets and liabilities will transfer to the CMA after 31 March 2014.

(h) Provisions

The CC provides for legal or constructive obligations which are of uncertain timing and/or amount at the balance sheet date

on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the HM Treasury discount rate of 2.2 per cent a year in real terms (2011/12: 2.2 per cent a year).

Where provisions for leasehold dilapidations are required, the CC creates a financial asset, using indexation to revalue the asset annually, and depreciates the asset over the remaining term of the leasehold. Further information on the dilapidations asset is detailed in note 8.

Details of the pension provision are provided in note 16.

(i) Financial instruments

Financial instruments are initially measured at fair value plus transaction costs unless they are carried at fair value through profit and loss in which case transaction costs are charged to operating costs.

The categorisation of financial assets and liabilities depends on the purpose for which the asset or liability is held or acquired. Management determines the categorisation of assets and liabilities at initial recognition and re-evaluates this designation at each reporting date.

Financial assets

The CC holds financial assets, which comprise cash at bank and in hand and receivables, classified as loans and receivables. These are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. Since these balances are expected to be realised within 12 months of the reporting date, there is no material difference between fair value, amortised cost and historical cost.

Financial liabilities

The CC holds financial liabilities, which comprise payables. Since these balances are expected to be settled within 12 months of the reporting date, there is no material difference between fair value, amortised cost and historical cost.

(j) Reserves

Income and expenditure reserve

The CC accounts for its accumulated deficit in the income and expenditure reserve.

2. Staff numbers and related costs

The cost of staff remuneration was:

	2012/13	2012/13	2012/13	2011/12
	£'000	£'000	£'000	£'000
	<i>Permanent staff</i>	<i>Other staff</i>	<i>Total</i>	<i>Total</i>
Wages and salaries	6,793	1,357	8,150	6,927
Social security costs	678	82	760	615
Pension costs	1,312	81	1,393	1,216
Total	8,783	1,520	10,303	8,758

- (i) The remuneration of the Chief Executive is included in staff remuneration.
(ii) Salaries include early retirement payments of £8,567 (2011/12: £7,364 for early retirement payments).
There were no redundancy payments made in 2012/13.
(iii) £331,000 was recovered in respect of the outward secondment of permanent staff (see note 4).

The cost of members' remuneration was:

	2012/13	2012/13	2012/13	2011/12
	£'000	£'000	£'000	£'000
	<i>Chairman & Deputy Chairmen</i>	<i>Other members</i>	<i>Total</i>	<i>Total</i>
Wages and salaries	535	584	1,119	877
Social security costs	70	66	136	96
Pension costs	92	-	92	225
Total	697	650	1,347	1,198

- (a) The Chairman and Deputy Chairmen's pension costs relate to payments made to the pension scheme. See note 16 for information.
(b) Members of the CC during the year are listed in pages 96 to 102. Terms and conditions of appointment for members are determined by the Secretary of State with the approval of the Treasury. Under the Enterprise Act 2002, new appointments will normally be for eight years.
(c) Members, including non-executive Council members, are paid a 'per diem' rate of £350 per day, which is equivalent to £50 per hour, and are reimbursed for their travel expenses.

Notes to the Financial Statements (*continued*)

2. Staff numbers and related costs (*continued*)

Average number of staff employed

The average monthly number of full-time-equivalent staff (FTE), including secondees from government departments, other organisations, staff employed on short-term contract and temporary staff, was:

	2012/13 FTE	2011/12 FTE
Employed on references:		
Permanent staff	93	86
Other staff	26	5
Total employed on references	119	91
Inquiry support:		
Permanent staff	11	12
Other staff	2	2
Total inquiry support	13	14
Support staff:		
Permanent staff	28	29
Other staff	5	4
Total support staff	33	33
Total staff	165	138

The CC's staff numbers have increased due to the increase in the CC's workload, the main increase being for staff on fixed-term contracts. Fixed-term contracts have been used to cover the period up to the transition to the CMA. All the posts were approved by the Secretary of State for BIS, following guidance from the Cabinet Office.

3. Other expenditure

	2012/13	2011/12
	£'000	£'000
Rentals under operating leases	5,483	5,420
Running costs—Victoria House	3,088	2,752
Consultants' fees—inquiry related	1,222	206
Consultants' fees— not inquiry related	53	119
External surveys—inquiry related	440	228
Legal costs—appeals	270	12
Legal costs—other	228	206
IT support and maintenance	298	217
Software licences	83	74
IT equipment and consumables	92	55
Telecommunications and Internet charges	217	233
Inquiry variable costs	269	300
Travel, subsistence and hospitality:		
Members	120	94
Staff & contractors	48	46
Staff training	123	148
Staff recruitment	106	138
Subscriptions	122	132
Catering	278	243
Audit fees for statutory audit work	32	32
Other audit fees	23	28
Other administration	261	135
Non-cash items:		
Devaluation/(Revaluation) charge	617	(291)
Other expenditure	13,473	10,527
Other non-cash items		
Depreciation	853	908
Total other operating charges	14,326	11,435

The CC occupies 41 per cent of its office space at Victoria House with the remainder sublet. The accommodation costs shown above are the full costs before sublet income of £3,474,000 (2011/12: £3,724,000) which is included as income (see note 4).

Operating lease rental costs included above were £5,621,000 for the year (2011/12: £5,544,000). The figure under rentals under operating leases includes an amount of £138,000 which relates to the CC's rent-free period which has been calculated over the lifetime of the lease.

The CC's consultants costs have increased due to the CC's increased workload. Consultants were used on short term contracts as additional resources.

Legal costs—appeals relate to the legal costs incurred by the CC on the inquiries that were appealed against in the CAT or Court of Appeal.

Catering costs include costs associated with the delivery of hospitality to other organisations within Victoria House. The costs are recovered as sundry income, which is shown in note 4.

Other administration charges include office supplies, postage, courier charges and other accountancy fees.

During the year the CC did not receive any non-audit services.

The devaluation charge is the amount charged to expenditure because of the downwards revaluation of the leasehold asset. (See note 6.)

Notes to the Financial Statements *(continued)*

4. Income

	2012/13 £'000	2011/12 £'000
Rent and other occupancy charges including corporate services charges:		
External:		
Sinclair Knight Merz	-	510
National Heart Forum	121	120
Intra-Government:		
Competition Service (CAT)	1,812	1,743
Department for Business, Innovation and Skills	-	50
Office of Manpower Economics/Low Pay Commission	753	735
NHS Institute for Innovation and Improvement	-	56
Legal Services Board	504	505
OSPAR Commission	134	5
Consumer Focus	150	-
	3,474	3,724
Charges for seconded-out staff		
External:		
Federal Trade Commission—USA	34	100
Intra-Government:		
Department for Business, Innovation and Skills	28	3
Cooperation & Competition Panel	210	264
Civil Aviation Authority	59	-
	331	367
Sundry income	130	113
Total income	3,935	4,204

5. Analysis of net expenditure by programme and administration budget

	2012/13	2012/13	2012/13	2011/12	2011/12	2011/12
	£'000	£'000	£'000	£'000	£'000	£'000
	Programme	Administration	Total	Programme	Administration	Total
Staff costs	9,103	2,547	11,650	7,536	2,363	9,899
Rentals under operating leases	2,063	3,420	5,483	2,385	3,035	5,420
Running costs—Victoria House	1,284	1,804	3,088	1,124	1,628	2,752
Consultants' fees	1,222	53	1,275	206	119	325
External surveys	440	-	440	228	-	228
Legal costs—appeals	270	-	270	12	-	12
Legal costs—other	176	52	228	143	63	206
IT support and maintenance	-	298	298	-	217	217
Software licences	-	83	83	-	74	74
IT equipment and consumables	-	92	92	-	55	55
Telecommunications and Internet charges	-	217	217	-	233	233
Inquiry variable costs	95	174	269	85	215	300
Travel, subsistence and hospitality	161	7	168	132	8	140
Staff training	-	123	123	2	146	148
Staff recruitment	-	106	106	-	138	138
Subscriptions	-	122	122	-	132	132
Catering	43	235	278	30	213	243
Audit fees for statutory audit work	-	32	32	-	32	32
Other audit fees	-	23	23	-	28	28
Corporation Tax	-	1	1	-	1	1
Other administration	6	255	261	4	131	135
Non-cash items:			-			-
Devaluation/(revaluation) charge	-	617	617	-	(291)	(291)
Other non-cash items:						
Depreciation	-	853	853	-	908	908
	14,863	11,114	25,977	11,887	9,448	21,335
Income						
Rent and other occupancy charges	-	3,474	3,474	-	3,724	3,724
Secondment income	-	331	331	-	367	367
Other income	-	130	130	-	113	113
Interest receivable	-	4	4	-	4	4
	-	3,939	3,939	-	4,208	4,208
Net expenditure after interest	14,863	7,175	22,038	11,887	5,240	17,127

Notes to the Financial Statements (*continued*)

6. Property, plant and equipment

	2012/13 £'000	2012/13 £'000	2012/13 £'000	2012/13 £'000	2012/13 £'000
	<i>IT</i>	<i>Fixtures & fittings</i>	<i>Leasehold costs</i>	<i>Assets in course of construction</i>	<i>Total</i>
Cost:					
At 1 April 2012	3,568	1,006	6,833	153	11,560
Additions at cost	47	237	-	-	284
Disposals	(128)	-	-	-	(128)
Transfer to IT assets	153	-	-	(153)	-
Revaluation	-	-	(1,160)	-	(1,160)
At 31 March 2013	3,640	1,243	5,673	-	10,556
Depreciation:					
At 1 April 2012	3,331	809	2,848	-	6,988
Provision for the year	191	72	349	-	612
Released on disposal	(128)	-	-	-	(128)
Revaluation	-	-	(543)	-	(543)
At 31 March 2013	3,394	881	2,654	-	6,929
Net book value:					
At 31 March 2013	246	362	3,019	-	3,627
At 31 March 2012	237	197	3,985	153	4,572
Asset financing:					
Owned	246	362	3,019	-	3,627
Finance leased	-	-	-	-	-
At 31 March 2013	246	362	3,019	-	3,627

The revaluation relates to a decrease in the value of leasehold assets based on the relevant Office for National Statistics and BIS price indices.

The assets in course of construction that were transferred to IT relate to laptops that were purchased in March 2012 to replace the CC's desktop computers. The laptops began to be used by staff in May 2012.

6. Property, plant and equipment (continued)

	2011/12	2011/12	2011/12	2011/12	2011/12
	£'000	£'000	£'000	£'000	£'000
	<i>IT</i>	<i>Fixtures & fittings</i>	<i>Leasehold costs</i>	<i>Assets in course of construction</i>	<i>Total</i>
Cost:					
At 1 April 2011	3,479	997	6,349	-	10,825
Additions at cost	115	9	-	153	277
Disposals	(26)	-	-	-	(26)
Revaluation	-	-	484	-	484
At 31 March 2012	3,568	1,006	6,833	153	11,560
Depreciation:					
At 1 April 2011	3,162	741	2,322	-	6,225
Provision for the year	195	68	333	-	596
Released on disposal	(26)	-	-	-	(26)
Revaluation	-	-	193	-	193
At 31 March 2012	3,331	809	2,848	-	6,988
Net book value:					
At 31 March 2012	237	197	3,985	153	4,572
At 31 March 2011	317	256	4,027	-	4,600
Asset financing:					
Owned	237	197	3,985	153	4,572
Finance leased	-	-	-	-	-
At 31 March 2012	237	197	3,985	153	4,572

Notes to the Financial Statements *(continued)*

7. Intangible assets

	2012/13 Software licences £'000
Cost:	
At 1 April 2012	1,623
Additions at cost	-
Disposals	-
At 31 March 2013	1,623
Amortisation:	
At 1 April 2012	1,405
Provision for the year	60
Disposals	-
At 31 March 2013	1,465
Net book value:	
At 31 March 2013	158
At 31 March 2012	218
Asset financing:	
Owned	158
At 31 March 2013	158
	2011/12 Software licences £'000
Cost:	
At 1 April 2011	1,599
Additions at cost	24
Disposals	-
At 31 March 2012	1,623
Amortisation:	
At 1 April 2011	1,269
Provision for the year	136
Disposals	t-
At 31 March 2012	1,405
Net book value:	
At 31 March 2012	218
At 31 March 2011	330
Asset Financing	
Owned	218
At 31 March 2012	218

8. Financial assets

	2012/13
	£'000
Cost:	
At 1 April 2012	3,036
Revaluation	63
At 31 March 2013	3,099
Depreciation:	
At 1 April 2012	1,291
Provision for the year	152
Revaluation	29
At 31 March 2013	1,472
Net book value:	
At 31 March 2013	1,627
At 31 March 2012	1,745

The estimated cost of restoring Victoria House to its original state at the end of the CC's lease in 2023 has been capitalised. It is revalued on a quinquennial basis by surveyors, supplemented by annual indexation. The last review was undertaken by Drivers Jonas in March 2009 and an estimated settlement figure was given, which incorporated the floor space and current market factors. This has been revalued using appropriate indices for construction repair and maintenance as supplied by the Office for National Statistics.

	2011/12
	£'000
Cost:	
At 1 April 2011	2,973
Revaluation	63
At 31 March 2012	3,036
Depreciation:	
At 1 April 2011	1,115
Provision for the year	176
Revaluation	-
At 31 March 2012	1,291
Net book value:	
At 31 March 2012	1,745
At 31 March 2011	1,858

9. Financial instruments

As the cash requirements of the CC are met through grant-in-aid paid by BIS, the CC has limited exposure to financial instruments. The majority of financial instruments relate to contracts to buy non-financial items in line with the CC's expected purchases and usage requirements and the CC is therefore exposed to little credit, liquidity or market risk.

Notes to the Financial Statements *(continued)*

10. Trade receivables and other assets

	2012/13	2011/12
	£'000	£'000
Amounts falling due within one year:		
Trade receivables:		
External	6	15
Intra-Government:		
Competition Service (CAT)	7	
Cooperation and Competition Panel	-	35
OSPAR Commission	6	5
Sport England	1	2
Department of Business, Innovation and Skills	-	4
Low Pay Commission	1	-
Office of Manpower Economics	8	7
Legal Services Board	4	1
Prepayments	238	179
Tenants' rent-free period	47	19
Deposits and advances	104	214
	422	481

Amounts falling due after more than one year:

	2012/13	2011/12
	£'000	£'000
Tenants' rent-free period	185	227
Competition Service rent	1,629	1,551
	1,814	1,778

Tenants' rent-free period represents a rent-free period granted to tenants. This amount is being amortised over the periods of the respective leases. The total rent-free period debtor at 31 March 2013, including those amounts shown at note 10 above falling due within one year, was £232,000 (2011/12: £246,000). The Competition Service rent represents the remaining amount receivable over the lifetime of the lease for the rent calculated on a straight-line basis.

11. Cash and cash equivalents

	2012/13	2011/12
	£'000	£'000
Balance at 1 April	231	127
Net change in cash and cash equivalent balances	(128)	104
Balance at 31 March	103	231
The following balances at 31 March were held at:		
Government Banking Service	103	231

The CC's bank account is an interest-bearing current account with the Government Banking Service.

12. Trade payables and other current liabilities

Amounts falling due within one year:

	2012/13	2011/12
	£'000	£'000
Trade payables:		
External	454	63
Intra-Government—Office of Fair Trading	-	12
Department of Business, Innovation & Skills	3	
Ofgem	5	
Victoria House rent—deferred income	138	138
PAYE, National Insurance & pension	429	362
Bonus pay accrual	250	250
Holiday pay accrual	428	420
VAT	126	34
Corporation Tax	1	1
Other payables	654	432
	2,488	1,712

Amounts falling due after more than one year:

	2012/13	2011/12
	£'000	£'000
Victoria House rent—deferred income	1,311	1,449
Victoria House rent—operating lease liability	7,700	7,333
	9,011	8,782

The increase in external payables relates to invoices for consultancy work, which was carried out in March with invoices being received in April. The Victoria House rent—deferred income relates to the amortisation of a rent-free period. Under the rules of UITF Abstract 28: Operating Leases, the value of the rent-free period is being amortised on a straight-line basis over the 20-year term of the lease. The Victoria House rent—operating lease charge is the remaining liability for the rental charge over the lifetime of the lease which has been calculated on a straight-line basis.

Notes to the Financial Statements (*continued*)

13. Provisions for liabilities and charges

(a) *Provisions for the year ended 31 March 2013 are:*

	<i>Capitalised office dilapidations</i>	<i>Total provisions</i>
	<i>£'000</i>	<i>£'000</i>
Balance as at 1 April 2012	3,036	3,036
Provided in the year	63	63
At 31 March 2013	3,099	3,099
Analysis of expected timing of discounted flows:		
One to five years	-	-
More than five years	3,099	3,099
	3,099	3,099

The capitalised office dilapidations provision relates to the CC's offices at Victoria House. The provision is made to cover the CC's estimated liability to restore Victoria House to its original state at the end of the lease in 2023. This cost has been capitalised. (See note 8.)

(a) *Provisions for the year ended 31 March 2012 are:*

	<i>Capitalised office dilapidations</i>	<i>Total provisions</i>
	<i>£'000</i>	<i>£'000</i>
Balance as at 1 April 2011	2,973	2,973
Provided in the year	63	63
At 31 March 2012	3,036	3,036
Analysis of expected timing of discounted flows:		
One to five years	-	-
More than five years	3,036	3,036
	3,036	3,036

13. Provisions for liabilities and charges (continued)

(b) Pension provisions for the year ended 31 March 2013 are:

	<i>Pension liabilities</i>
	2012/13
	£'000
As at 1 April 2012	2,197
Released in year	96
Provisions utilised in the year	(155)
As at 31 March 2013	2,138

In accordance with the requirements of IAS 19, the CC has provided for the actuarially assessed liability of the CC's PCSPS by analogy pension scheme (see note 16).

(b) Pension provisions for the year ended 31 March 2012 are:

	<i>Pension liabilities</i>
	2011/12
	£'000
As at 1 April 2011	2,136
Released in year	210
Provisions utilised in the year	(149)
As at 31 March 2012	2,197

14. Capital commitments

The CC has no capital commitments.

Notes to the Financial Statements (*continued*)

15. Commitments under leases

Operating leases

Commitments under operating leases to pay rentals for the remaining life of the lease following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

	2012/13 £'000	2011/12 £'000
Land and buildings		
Not later than one year	5,983	5,614
Later than one year and not later than five years	25,407	25,037
Later than five years	39,107	45,460

The CC has a 20-year lease for office space in Victoria House, Southampton Row, London WC2. The lease start date was September 2003. The total space is 8,260 square metres, of which 4,910 square metres (59 per cent) has been sublet as at 31 March 2013 and 3,350 square metres (41 per cent) is the CC's net space. The CC's net operating lease commitment is £54,327,000 (2011/12: £56,908,000).

The terms of the Victoria House lease include a compounded annual rent increase of 2.5 per cent that is applied every five years. The operating lease commitments shown above include the compounded annual rent increase. The first increase was in September 2008 and was 13.14 per cent. The next increase is due in September 2013.

16. Staff and members' pension costs

Ordinary and panel members of the CC are not pensioned.

Members who are or were Chairmen or Deputy Chairmen are members of the CC's PCSPS by analogy scheme, gaining benefits commensurate with their salary and service. This is a defined benefit scheme and is unfunded and non-contributory except in respect of dependants' benefits and additional employee contributions to the classic and premium schemes. At 31 March 2013 there was one active member and 12 current pensioners. The CC makes no contributions to the scheme. Instead it pays pensions to retired members as they become due. The actuarial liability at 31 March 2013 was £2,138,000 (31 March 2012: £2,197,000). Pensions in payment of retirees (and deferred pensions) increased by 3.1 per cent from 11 April 2012. The CC is satisfied that any obligation it is unable to meet in the normal course of its activities in respect of members' pensions would be met by the Secretary of State.

The valuation was carried out by the Government Actuary's Department from membership information supplied to it. The financial and demographic assumptions used in the assessment are consistent with those used elsewhere in central government for resource accounting. The key financial assumption, that rates of return net of price increases are 1.7 per cent a year, is specified for resource accounting purposes by HM Treasury. The following allowances are assumed: increase in salaries 3.95 per cent a year, price inflation 1.7 per cent a year, increase for pensions in payment and deferred pensions 1.7 per cent a year. During the period ended 31 March 2013 pension payments of £155,000 (2011/12: £149,000) were made to retired Chairmen and Deputy Chairmen.

Staff pension benefits are provided through the civil service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes: either a 'final salary' scheme (classic, premium, or classic plus); or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Consumer Prices Index. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good-quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account).

Employee contributions are set between the rate of 1.5 and 3.9 per cent of pensionable earnings for classic and 3.5 per cent and 5.9 per cent for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on his pensionable earnings during his period of

scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3 per cent of his pensionable earnings in that scheme year and the accrued pension is updated in line with RPI.

In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Further details about this and other civil service pension arrangements can be found at www.civilservice-pensions.gov.uk. For the year ended 31 March 2013, employer's contributions of £1,344,000 were payable to the PCSPS (2011/12: £1,216,000).

17. Contingent liabilities and assets

There are no contingent liabilities to report. The CC has been awarded its legal costs in an appeal against the CC's decision on the Mobile Call Termination Case. The final amount has not yet been confirmed, therefore a receivable has not been recognised.

18. Related party transactions

The CC is a non-departmental public body (NDPB) sponsored by BIS and funded by a grant-in-aid from that department. BIS is regarded as a related party. During the year, the CC had various material transactions with BIS, all of which were conducted at arm's length prices. In addition, the CC had a small number of material transactions with other government departments and other central government bodies, all conducted at arm's length prices.

None of the CC members or key managerial staff undertook any material transactions with the CC during the year, except for remuneration paid for their services and, in the case of members, reimbursement of home to office travel expenses.

The CC has sublet part of its office premises at Victoria House to the Competition Service (sponsored by BIS), under the same terms as its own lease. It has also sublet office space on shorter terms to the Legal Services Board, Office of Manpower Economics, Low Pay Commission, National Heart Forum, OSPAR Commission and Consumer Focus.

19. Events after the reporting period

There are no post balance sheet events to report.

The Accounting Officer authorised these financial statements for issue on the date of certification.

Members' biographies



Robin Aaronson

(appointed in 2009) is an economist specialising in competition policy. In the 1980s he was senior economic adviser to the Monopolies and Mergers Commission (MMC). Subsequently, he worked as a consultant in the field, as a partner at Coopers and Lybrand and later at LECG. From 2000 to 2006 he was a member of the Postal Services Commission and he has previously worked at HM Treasury and the Ministry of Defence.



Lesley Ainsworth

(appointed in 2013) is a solicitor and has been a partner in international law firm Hogan Lovells for 25 years, specialising in EU and UK competition law (retiring June 2013). She has practised in London, Brussels and New York and led the competition practice in the firm's London office for many years.



Jayne Almond

(appointed in 2005) is currently Executive Chairman of Stonehaven, a specialist Equity Release mortgage business, a non-executive director of Aldermore Bank and Chair of the Audit and Scrutiny Committee of Oxford University. She was previously Managing Director of Barclays' Home Finance business, Group Marketing Director at Lloyds TSB, and Managing Director of Lloyds TSB's European Internet banking business. In her earlier career she worked for Shell, and was a senior partner at LEK Consulting, in charge of its financial service practice.



Laura Carstensen

(appointed in 2005 and a Deputy Chairman between 2009 and 2011) is a senior lawyer with extensive experience of EU and UK competition law practice including as a partner in the City law firm Slaughter and May (1994–2004). She is co-founder and director of two online mail order businesses, Blue Banyan Ltd and Hortica. She is a Commissioner of the Equality and Human Rights Commission, a member of Monitor's Cooperation and Competition Panel, a non-executive director of the Countess of Chester NHS Foundation Trust Hospital and MLex Limited and an independent member of the Business Oversight Board of The Law Society of England & Wales. She is also a Trustee of National Museums Liverpool.



Marisa Cassoni

(appointed in 2013) is a chartered accountant and finance professional with more than 35 years of experience. Her early career was initially in audit but she progressed into advisory services including corporate finance, investigations and restructuring across a variety of industries and jurisdictions in the 1980s. She moved into commerce joining the Prudential Group in London in the mid-1980s where she progressed through a series of senior finance roles to the Finance Director of the UK Division. Between 2001 and 2005 she was the Finance Director of the former Post Office, subsequently the Royal Mail. She left to join the John Lewis Partnership in 2006 as their Finance Director and retired last year.



Sarah Chambers

(appointed in 2013) is an expert in economic regulation, and in consumer and competition policy. Until 31 January 2013 she was a senior civil servant, most recently as a Director at the Department of Energy & Climate Change. Between 2008 and 2011 she was Director of Consumer & Competition Policy at the Department of Business, Innovation & Skills, where she led major reviews of the competition regime and prepared for the transformation of the landscape of consumer institutions. She was Chief Executive of Postcomm, the postal services regulator, between 2004 and 2008. Before that she held various senior roles at the Department of Trade and Industry and at OfTel.



Professor John Cubbin

(appointed in 2005) is Emeritus Professor of Economics at City University in London. He was Director of the Centre for Competition and Regulatory Policy at City, where he founded one of the first Masters degrees in Regulation and Competition. He was previously an Associate Director with National Economic Research Associates (NERA); Professor of Economics at UMIST; Reader in Economics at Queen Mary College, University of London; and a Lecturer in Economics at the University of Warwick. He is widely published on the economics of markets, competition and regulation and has carried out an extensive range of consultancy studies in the regulated sector.



Roger Davis

(appointed in 2005) is a chartered accountant. From 1975 to 2003 he was a partner of PricewaterhouseCoopers. For several years he was the Senior Audit Partner and then Global Head of Professional Affairs. He also spent two years seconded to HM Treasury. From 2004 to 2009 he was a board member of the Professional Oversight Board, the UK's independent regulator for the accountancy and actuarial professions.



Carolan Dobson (appointed in 2005) is Chair of JP Morgan European Smaller Companies Plc and Aberdeen Smaller Companies High Income Trust Plc. She is also a trustee of the Vaillant pension scheme and Chair of the Investment Committee, and an expert investment adviser to a number of other corporate and local government pension funds. She is a council member of Sport Scotland and Chair of the Audit Committee. She was Head of the Investment Floor at Abbey Asset Managers, a director of Murray Johnstone and the fund manager of two award-winning Investment Trusts.



Barbara Donoghue (appointed in 2005) is a banker with experience in raising capital, both debt and equity, in domestic and international markets. She is a director of Manzanita Capital and a trustee of Refuge. Previously, she was a non-executive director of Eniro AB, a Teaching Fellow in Strategic and International Management at the London Business School, a member of the Independent Television Commission and a member of the Broadcasting Policy Group. She holds a Bachelor's degree in Economics and a Masters degree in Business Administration, both from McGill University, Canada.



Phil Evans (appointed in 2009) is an independent consultant on consumer, competition and trade issues and a senior consultant to Fipra International. He spent a decade at Which?, has taught at a number of universities and authored numerous books and articles on trade, competition, intellectual property and shopping. He has provided technical assistance to the World Trade Organization, the United Nations Conference on Trade and Development and UNICEF and is on the advisory boards of the American Antitrust Institute and the Loyola University Consumer Antitrust Institute.



Professor Simon Evenett (appointed in 2009) is Professor of International Trade & Economic Development, University of St Gallen, Switzerland, and, since 2011, has been Academic Director of its MBA programme. He is co-founder of Global Trade Alert, an independent initiative monitoring policies that affect world trade, and is also Programme Director of the International Trade and Regional Economics Programme of the Centre for Economic Policy Research. His research interests include national and international cartels, cross-border mergers and acquisitions, and the pros and cons of international norms on competition law and policy.



Richard Farrant (appointed in 2005) is a non-executive director of Daiwa Capital Markets Europe Limited and of SMT Fund Asset Services (UK) Limited, a member of the Disciplinary Committee of the Institute of Chartered Accountants and a Council member and trustee of the National Trust. Former positions include Chairman of Sustrans, Vice Chairman of United Financial Japan International Limited, Chief Executive of the Securities and Futures Authority, Managing Director and Chief Operating Officer of the Financial Services Authority, and board member of the Gas and Electricity Markets Authority.



Roger Finbow (appointed in 2009) was a partner of international solicitors Ashurst LLP from 1984 to April 2009 where he spent the final five years as Managing Partner of the Corporate Department. He is the joint author of *UK Merger Control: Law and Practice*. He is now a consultant at Ashurst and has a number of board and advisory roles in the education, sport, social mobility and career development sectors.



Ivar Grey (appointed in 2005) is a self-employed financial adviser. He also works as a non-executive director of Finance Wales PLC, non-executive director of the Cardiff and Vale University Health Board, Chairman of Kids in the Middle and Governor of Port Regis School. He acts as a Forensic Accountant and works with various charitable and business organisations. He is also a Chartered Accountant. In 2002 he retired as a partner with KPMG, having worked with it in the UK, Norway, Denmark and the Netherlands.



John Harley (appointed in 2013) is a former Senior Partner at Ernst & Young LLP (EY) and up to June 2000, PricewaterhouseCoopers. He retired in February 2011 from EY having been Global Head of Private Equity and previously Global Head of Client Strategy reporting to the board. Since retiring he has focused on maintaining his interest in private equity in his work with Alvarez & Marsal and as Chair of the Kent Investors Network; in education as Deputy Chair and Audit Committee Chair of the University of Brighton and a member of the HEFCE Audit Committee; and in assisting charities specifically Groundwork, where he chairs its London Trust and its UK Finance and Audit Committee.

Members' biographies



Rosalind Hedley-Miller (appointed in 2013) is a Managing Director of Commerzbank AG, where she has responsibility for the M&A Advisory department in London. She has worked at Commerzbank or its predecessor companies for over 30 years, having joined Kleinwort Benson from Schroders in 1979. She has previously been a non-executive director of Bejam Group and of TV-am. She has also been a member of the Industrial Development Advisory Board, an external member of the Finance Committee of the Oxford University Press and a trustee of the Rhodes Trust.



Jill Hill (appointed in 2005) was a director of Remploy for seven years, after many years with Rolls-Royce plc. She is a Chartered Engineer. She has previously been a non-executive director of NDI Ltd, a trustee of Guide Dogs for the Blind, a member of the General Teaching Council for England, a member of several trade organisations, including a Regional Council Member and an Education and Training Committee member of the CBI, and a director of the Employment Related Services association. She was an advisory member to the Foster Review on Further Education.



Professor Thomas Hoehn (appointed in 2009) is a Visiting Professor and Research Fellow at Imperial College Business School where he teaches courses on the MBA and MSc programmes and undertakes research on digital data and copyright exchanges. Previously an Economics Partner at PricewaterhouseCoopers, he specialises in the application of economic analysis to competition law, intellectual property and sport. He regularly acts as a Monitoring Trustee for the European Commission and is a Director of CompetitionRX, a company providing remedy compliance and monitoring services in EU antitrust, merger control and state aid proceedings.



Katherine Holmes (appointed in 2009) was a partner and head of the competition group of the London office of Reed Smith LLP, and previously Richards Butler LLP. Before that, she was an in-house competition lawyer, holding posts as senior competition counsel at Guinness PLC; and at the Confederation of British Industry. She was, for several years, the Chairman of the Joint Working Party of the Bars and Law Societies of the UK on Competition Law.



Michael Hutchings (appointed in 2013) is an independent solicitor who advises on competition law and EU law. He was a partner with Lovell White Durrant (now Hogan Lovells) from 1981 until 1996, and managed its Brussels office in the mid-1980s.



Alexander Johnston (appointed in 2005) is an external member of the Finance Committee of Cambridge University, Chairman of the university's syndicate developing its land at north-west Cambridge and senior adviser to a corporate advisory firm Lilja & Co. AG. He was, until 2003, a Managing Director at Lazard, London, where he worked in corporate and project finance, mainly in electricity, rail and utility industries, in the UK and in Europe. He has also been Chairman of BMS Associates Limited, a reinsurance broker.



Ian Jones (appointed in 2005) is Director of Croft Consulting Services, an economics consultancy, and of PQCroft, an airport economics consultancy. He advises NHS Southern on competition issues. He was previously a director of NERA Economic Consulting and Head of NERA's European Transport Practice, where he was extensively involved in the privatisation of UK airports and railways, and directed major studies of transport markets for the European Commission. He has also worked with the National Institute of Economic and Social Research, the MMC, London Business School and the Government Economic Service.



Peter Jones (appointed in 2005) is a non-executive director of The National Nuclear Laboratory Limited, a Fellow of the Chartered Association of Certified Accountants and a non-executive member of the United Kingdom Atomic Energy Authority. From 2003 to 2010 he was a director of Rhydfach Consulting Limited, a private consultancy company. Prior to forming his consultancy company, he was a Managing Director in corporate finance at HSBC Bank plc, working latterly in the energy and utilities sectors and previously on a number of major UK privatisations. He has subsequently undertaken consultancy work for clients including the Government's Shareholder Executive, British Nuclear Fuels plc and Royal Mail Group Limited.

**Ray King**

(appointed in 2013) was Chief Executive of Bupa Ltd between 2008 and 2012, having previously served as CFO since 2001. In a decade of major expansion, by 2011 two-thirds of Bupa's £8 billion revenue came from international markets. After studying Chemistry at Queens, Belfast, in 1974 he qualified as a Chartered Accountant with PricewaterhouseCoopers. During the next 25+ years until he joined Bupa, he worked in senior financial and CFO roles in a range of industries including chemicals (ICI), utilities (Southern Water), IT (Parity) and Drinks (Guinness/Diageo). Between 2004 and 2009 he was a non-executive director of Friends Provident plc where he also chaired the Audit Committee. He is currently a member of the Audit and Assurance Council of the Financial Reporting Council.

**John Krumins**

(appointed in 2013) is a banker with over 20 years' experience in mergers and acquisitions in domestic and international markets. He has also worked extensively on capital raising and restructuring, in both the debt and equity markets, having held senior positions with Morgan Stanley, Deutsche Bank and Société Générale. In his earlier career he worked as a management consultant for Strategic Planning Associates, focusing on the telecommunications, consumer and services sectors. He holds a Masters degree in Chemical Engineering from Cambridge University and a Masters degree in Business Administration from Harvard Business School.

**John Longworth**

(appointed in 2009) was originally a scientist and is the Director General of the British Chambers of Commerce. Previously he was an Executive Main Board Director of Asda Group Ltd and Asda Financial Services Ltd and held senior director positions at Tesco Stores Ltd and CWS Ltd. He is currently a non-executive director of the Co-operative Group—Co-operative Food Ltd, of Nichols Plc and Chairman of SVA Ltd, a company he founded in 2010.

**Professor Robin Mason**

(appointed in 2009) is Professor of Economics and was appointed Dean of the Business School at the University of Exeter in October 2011. Previously he was Eric Roll Professor of Economics and Head of Economics at the University of Southampton. He is a fellow of the CEPR. He has acted as adviser to Ofcom and the Prime Minister of Mauritius on competition policy, as well as advising a number of private sector clients, especially in telecommunications.

**Jill May**

(appointed in 2013) has worked as an investment banker for UBS and for SG Warburg & Co Ltd (acquired by the UBS Group in 1995) for 23 years and is an experienced mergers and acquisitions professional. At UBS she was Chairman of the UBS women's network, All Bar None UK and was responsible for driving a number of diversity initiatives. She was a trustee of the UBS Pension Fund from 2007 to 2010. She is on the Council of the National Trust, on the Council of Durham University and was Chairman of the 2012 Cancer Research Carol Concert at St Paul's Cathedral. She is also a non-executive director of Langham Industries.

**Tony Morris**

(appointed in 2009) is a solicitor with over 30 years' experience of UK and EU competition law. Before retiring in May 2009, he spent 24 years as a partner in the City firm of Linklaters, specialising in the control of cartels and mergers and the conduct of industry competition inquiries.

**Malcolm Nicholson**

(appointed in 2009) was a partner at Slaughter and May specialising in competition matters for over 25 years until his retirement in 2009. He is currently a director of the Solicitors Regulation Authority and a member of the Conduct Committee and Chair of the Case Management Committee of the Financial Reporting Council.

**Stephen Oram**

(appointed in 2009) worked for 28 years at director level in the regional and national newspaper industry and as a Chief Executive of daily, weekly and free regional newspapers. He was Director of the Newspaper Publishers Association for ten years, non-executive Chairman of a national newspaper advertising consumer protection scheme, Director on the board of the London Press Club, National Secretary of the Western Front Association and a trustee of a professional association of psychoanalysts.

Members' biographies



Jeremy Peat OBE

(appointed in 2005) is Director of the Edinburgh-based David Hume Institute and a board member of Scottish Enterprise. Previously he was a member of the BBC Board of Trustees (from 2005 to 2010) and Chairman of the BBC Pension Trust (from 2005 to 2011). Prior to this he was Group Chief Economist at The Royal Bank of Scotland from 1993 to 2005. He is a fellow of the Royal Society of Edinburgh, an Honorary Professor at Heriot Watt University, Chair of Trustees of the Royal Zoological Society of Scotland and a board member of the Signet Accreditation Company. He held the position of Chairman of the CC's Local Bus Services market investigation from 2009 to 2011.



Andrew Popham

(appointed in 2013) is a chartered accountant. From 1987 to 2012 he was a partner in PricewaterhouseCoopers, most recently as global head of compliance. From 2006 to 2010 he worked in Tokyo and Hong Kong as risk, quality and regulatory leader for PricewaterhouseCoopers's Asia-Pacific region. Before moving to Asia he was Vice President of FEE, the European Federation of Accountants, and a member of the UK Financial Reporting Review Panel. He is an external member of the Audit Committees of the National Trust and of SOAS, University of London.



Gavin Robert

(appointed in 2013) is a solicitor with over 20 years' experience in EU/UK competition law, and has been a partner for 14 years with international law firm Linklaters (from which he retired as a partner at the end of April 2013). He will teach a module on international merger control as part of the University of Cambridge Masters in Corporate Law programme from 2013/14.



Jayne Scott

(appointed in 2013) has extensive experience as a non-executive director, currently holding Ministerial appointments with the Marine Management Organisation and the Professional Standards Authority. She was previously a non-executive director and Audit Committee Chair of Ofgem, and Deputy Chairman of ENTRUST. She is a qualified chartered accountant, having worked for PricewaterhouseCoopers, Lothian Health Board and Fife Health Board. She won the Scottish Finance Director of the Year Award for the public sector in 1998. She now has her own consultancy company, the Scott Ross Partnership, which focuses on the health and education sectors.



Dr Graham Sharp

(appointed in 2013) is a Commissioner of the Gambling Commission and a member of the Accounts Commission for Scotland. He worked in the City for many years as a corporate financier where he was on the board of Samuel Montagu & Co. After a number of years building a property investment company, which he co-founded, he entered academic life where he carried out research in corporate strategy focusing on the financial services sector. He then returned to corporate finance advising a number of companies based in Asia on expansion in Europe.



Ed Smith

(appointed in 2009) is a former senior partner and Global Assurance Chief Operating Officer and Strategy Chairman of PricewaterhouseCoopers. He now enjoys a portfolio of board roles in education, transport, sport, healthcare, thought leadership and the environment and sustainable development. He is Chairman of WWF-UK, Chairman of The Student Loan Company and a Member of Council and Treasurer of Chatham House. He is also a non-executive director of both the Department for Transport and the NHS Commissioning Board.



John Smith

(appointed in 2005) has had a career which spans central government and regulated industries. He was Director of Regulation with Anglian Water (1990–1997) and with Railtrack plc (1997–2002). Previously, he was a member of the Government Economic Service, working mainly in the Department for the Environment, in the areas of transport, local government finance, environmental protection and water privatisation. Currently, he works as an independent consultant, and is an associate of Indepen Consulting Ltd. He is a trustee and board member of Groundwork London, an environmental and community regeneration charity.



Bob Spedding

(appointed in 2013) graduated with a law degree from Warwick University in 1975 and qualified as a chartered accountant in 1978. He retired in 2011 after 25 years as a partner in KPMG where he worked with a wide range of organisations providing audit, transaction and advisory services. His final role at KPMG was as Head of Advisory Risk Management for KPMG Europe LLP. He has been appointed as Council Member and Chair of Audit Committee of the Open University with effect from 1 August 2013, has been a member of the Audit Committee for The Law Society since 2008 and Chair of the Audit Committee since 2010. He is a non-executive director, Chair of the Audit Committee and Member of the Remuneration Committee for the Coal Authority.



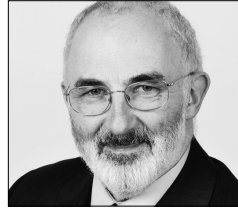
Anthony Stern

(appointed in 2005) is a director of InterContinental Hotels UK pension trust and a member of The Pensions Regulator's Determinations Panel. He was Director of Treasury for Bass and InterContinental hotels from 1988 to 2003, where he participated in financing mergers and acquisitions, a number of which involved competition investigations. Prior to this he worked for Dixons, Marks & Spencer and Chase Manhattan Bank. From 2001 to 2002 he was President of the Association of Corporate Treasurers. He has written for the Economist Intelligence Unit on aspects of financial markets.



Jon Stern

(appointed in 2013) is a Senior Visiting Fellow and a founder member of the Centre for Competition and Regulatory Policy in the Department of Economics at City University London. He has been a Senior Adviser at CEPA (Cambridge Economic Policy Associates) and is an Associate Researcher at EPRG, Cambridge. He is currently a member of the ORR academic panel and has regularly worked as an economist peer reviewer for a range of institutions, including Defra and the FSA Consumer Panel. He is a co-author of the *Handbook for Evaluating Infrastructure Regulatory Systems* (World Bank, 2006).



Tony Stoller CBE

(appointed in 2009) was Chief Executive of the Radio Authority until it was subsumed into Ofcom in 2003, where he was then a director until 2006. He is currently Chair of the Joseph Rowntree Foundation, Chair of the Joseph Rowntree Housing Trust Board, Editor of *The Friends Quarterly*, a trustee of the Sandford St Martin Trust and a doctoral student in the Media School at Bournemouth University studying classical music on UK radio.



Professor Sudi Sudarsanam

(appointed in 2005) is Emeritus Professor of Finance & Corporate Control at Cranfield School of Management. He is an honorary Senior Visiting Fellow at the Mergers and Acquisitions Research Centre, Cass Business School, London, and a visiting professor at Imperial College, London. He is the author of *Creating Value from Mergers and Acquisitions: The Challenges* and co-editor of *Corporate Governance and Corporate Finance in Europe*. He has been associate editor of the *Journal of Business Finance & Accounting* and is an associate editor of *Review of Behavioural Finance*. He has been a visiting professor at US and European universities. He is an Associate of the Chartered Institute of Bankers, London.



Richard Taylor

(appointed in 2005) was a partner at CMS Cameron McKenna, where he worked for 30 years and specialised in competition law. During this time, he also both founded and chaired CMS, an alliance of European law firms. He is a trustee of the charities Beating Bowel Cancer and beat (the Eating Disorders Association).



Tim Tutton

(appointed in 2013) is an economist specialising in economic regulation, especially in the energy sector. He is currently an independent economic consultant, an Adjunct Professor in the Energy Futures Lab at Imperial College and an Honorary University Fellow in the College of Life and Environmental Sciences at Exeter University. Previously, he has been UK Director of Regulation at National Grid, Director of UK Utility Regulation at PricewaterhouseCoopers and a Senior Adviser at Oxera.



Professor Michael Waterson

(appointed in 2005) is Professor of Economics at the University of Warwick. He held previous academic posts at the Universities of Reading and Newcastle and was President of the European Association for Research in Industrial Economics and Chair of the (UK) Network of Industrial Economists. He was also General Editor of the *Journal of Industrial Economics*. He has published widely in a variety of areas of industrial economics. He has served as Specialist Adviser to Subcommittee B of the European Union Committee of the House of Lords.



Jonathan Whitar

(appointed in 2005) is a director of Maple House Consulting Limited and non-executive director of Capital Professional Limited, Countrywide Principal Services Limited and three Countrywide subsidiaries. He is a founding partner of JWA Governance Services LLP, a consultancy specialising in board evaluation. Formerly a Managing Director of The Royal Bank of Scotland, he has over 20 years' experience in capital markets and is a chartered accountant in England and Wales and Ontario, Canada.

Members' biographies



Fiona Woolf CBE

(appointed in 2005) is a consultant with CMS Cameron McKenna where she built an international energy and infrastructure practice as a partner. She has worked on energy, water and infrastructure reforms, projects and regulation in over 38 jurisdictions. She is a senior adviser with London Economics International LLC, a non-executive director of Affinity Water Ltd, a trustee of Raleigh International and a director of The Lord Mayor's Show Ltd. Fiona is an Alderman of the City of London and took office as Sheriff in September 2010–September 2011. She was previously President of The Law Society of England and Wales.



John Wotton

(appointed in 2013) practised as a Solicitor with Allen & Overy LLP throughout his career, retiring on 31 December 2012. His practice has embraced many areas of corporate and commercial law, with a principal focus on EU and competition law, public procurement law and media regulation. He served as President of the Law Society of England & Wales in 2011–12 after holding a number of other positions in the Society. He has been a member of the Co-operation & Competition Panel (now Monitor's Co-operation and Competition Panel) for NHS-funded Services since its establishment in 2008.

Academic panellists

The CC has an academic panel of economists to act in an advisory capacity to staff.

These individuals have been invited to sit on the panel because of their background and experience.

Dr Walter Beckert, Senior Lecturer in Economics at Birkbeck College, University of London, and research associate at the Institute of Fiscal Studies.

Dr Pierre Dubois, Professor of Economics, Toulouse School of Economics, University of Toulouse 1 Capitole. Director of DEEQA, Toulouse School of Economics. Junior Member of Institut Universitaire de France. Coordinator of ENTER (European Network for Training in Economic Research) for the University of Toulouse 1 Capitole. CEPR Affiliate. IDEI Researcher. Associate Editor of *European Economic Review*. Managing Editor of *International Journal of Industrial Organization*.

Professor Richard Green, Alan and Sabine Howard Professor of Sustainable Energy Business, Imperial College, London.

Professor Paul Klempere FBA, Edgeworth Professor of Economics at Oxford University.

Dr Lars Nesheim, Reader in the Department of Economics at University College London, and Co-Director of the Centre for Microdata Methods and Practice.

Professor Volker Nocke, Professor of Economics at the University of Mannheim, holding the Chair in Microeconomics. He has published in the leading academic journals on topics in industrial organisation, competition policy, and international trade. He is Editor of the *Journal of Industrial Economics*.

Dr Philipp Schmidt-Dengler, Professor of Economics at the University of Mannheim.

Dr Howard Smith, Lecturer in Economics, University of Oxford.

Dr Andrew Sweeting, Associate Professor in the Economics Department at Duke University, North Carolina, and Faculty Research Fellow of the National Bureau of Economic Research.

Professor Tommaso Valletti, Professor of Economics at Imperial College Business School, London, Professor of Economics at the University of Rome 'Tor Vergata', Italy, and Fellow of Centre for Economic Policy Research.

John Thanassoulis, University Lecturer, University of Oxford and Fellow of Christ Church.

Dr Pasquale Schiraldi, Lecturer, Department of Economics, London School of Economics. Research Fellow at the Centre for Economic Policy Research.

Professor Philippe Gagnepain, Professor at Paris School of Economics-Université Paris 1 and a Research Affiliate at the Centre for Economic Policy Research (CEPR). His research field is empirical industrial organisation with special attention to issues related to competition and regulation in the fields of innovation, network industries, and transportation.

Senior team



Rachel Merelie,
Senior Director, Inquiries

Rachel Merelie joined the CC in 2003 from Cap Gemini Ernst & Young. She previously managed business planning for Ernst & Young, worked as a management consultant, and held a variety of posts in the electricity industry. She has an MBA from HEC in France. At the CC she led a variety of merger and market inquiries. In 2007 she was appointed Senior Director, Inquiries, with overall responsibility for the inquiry teams.



Mark Bethell,
Inquiry Director

Mark Bethell joined the CC in 2008. He has practised competition law in private practice in Brussels, and was a case handler at the OFT. He has also acted as one of the UK's agents in litigation before the EC courts, and as an advisory lawyer at Defra. Since joining the CC, he has led several merger inquiries, as well as the CC's consideration of Bristol Water's price determination. He is currently acting as Inquiry Director on the Statutory Audit Services market inquiry.



Douglas Cooper,
Inquiry Director

Douglas Cooper joined the CC in 1999 as an economic adviser. He acted as lead economist on many merger and market inquiries. Before joining the CC, Douglas worked at the DTI and at MAFF. He holds a PhD in economics from Nottingham University. He has been Inquiry Director for mergers in book wholesaling, video game retailing and buses, and for the market investigations into railway rolling stock leasing and local bus services. Most recently he has directed the CC's work on two telecommunications price control appeals and a price control determination for gas distribution.



Antonia Horrocks,
Inquiry Director

Antonia Horrocks joined the CC in 2012. She was previously a Counsel in the antitrust team at Shearman & Sterling and prior to that worked as a competition lawyer in law firms in the UK and New Zealand. She has advised companies in a variety of sectors on all aspects of EC and UK competition law, with a particular focus on managing global mergers and cartel cases. Since joining the CC she has led a number of merger inquiries.



John Pigott,
Inquiry Director

John Pigott joined the CC in 2003 from consultants Stern Stewart where he was a Senior Vice President. He had previously held various positions at Tate & Lyle including senior Treasury, Planning and IT roles. He has an MA in Competition and Regulation Policy from the University of East Anglia, an MBA from London Business School and is a member of the Association of Corporate Treasurers. In recent years, he has directed the CC's work on telecommunications price control appeals and on the Thomas Cook/Co-op merger. He is currently directing the private healthcare market investigation.



Tim Jarvis,
Inquiry Director

Tim Jarvis joined the CC in 2012. He previously worked at the Greater London Authority, the House of Commons and the National Audit Office having started his career working in social housing. He has an MSc in Politics and Government from the University of London. Since joining the CC he has led merger inquiries in building products and commercial radio.



Caroline Wallace,
Inquiry Director

Caroline Wallace joined the CC in 2005. She spent the previous five years at Ofcom, where she was a Director of Competition Policy. She is a chartered engineer and, prior to joining Ofcom, had worked in the telecoms, water and manufacturing industries. Since joining the CC she has worked on inquiries related to (among other things) transport, food, chemicals, software, the financial sector and construction materials.



Andrew Wright,
Inquiry Director

Andrew Wright joined the CC in 2005. In his time at the CC, he has led merger inquiries in many sectors, including broadcast transmission infrastructure and services, live event ticketing, health foods, Stilton cheese and mass spectrometry equipment. He has also led a market investigation into movies on pay TV and a pricing review of Stansted Airport. Previously, He was a manager at Deloitte Corporate Finance, having initially trained as a chartered accountant with Arthur Andersen. He is currently leading the CC's investigation into private motor insurance.

Senior team



David Roberts,
Chief Financial and Business Adviser and Head of Remedies

David Roberts joined the CC in 2002 from Sainsbury's where his roles included Director of Corporate Finance and Group Treasurer. He previously worked for BP and Deloitte Haskins & Sells Management Consultants. He is a chartered accountant and has an MA in economics from Cambridge University. Since joining the CC, he has led advice on remedies and business analysis for a wide variety of mergers and several market inquiries including store cards, home credit and BAA.



Lucy Beverley,
Director of Financial and Business Analysis

Lucy Beverley joined the CC in 2002. She qualified as a chartered accountant with Coopers & Lybrand in 1997 and then moved to the firm's management consulting division specialising in telecoms strategy and policy. Prior to joining the CC she was Finance Director of an AIM listed company. Since joining the CC she has completed an MA in Competition and Regulation Policy from the University of East Anglia.



Adam Land,
Director of Remedies and Business Analysis

Adam Land joined the CC in May 2004 and has worked on numerous merger and market investigations. Before becoming Director of Remedies and Business Analysis in 2007, he worked in the economics team and acted as Head of Policy Analysis. He joined the CC from HM Treasury, where he worked on the Cruickshank Review of banking, the Barker review of housing supply as well as various other aspects of UK and European microeconomic policy. Before that, Adam was at the OFT for five years, where he evaluated mergers and competition issues in financial services.



Graeme Reynolds,
Director of Remedies and Business Analysis

Graeme Reynolds joined the CC in 2005. Before becoming Director of Remedies and Business Analysis in 2008, he worked in the economics team, acting as lead economist on a number of market investigations and merger inquiries. He has also spent a period on secondment to the OFT's mergers branch. Prior to joining the CC, he worked as an economic consultant for Andersen and, later, Deloitte, with particular experience in regulated utilities, notably energy and telecommunications. He is also a qualified chartered accountant.



Daniel Gordon,
Chief Economist

Daniel Gordon joined the CC in January 2013 from Ofcom where he was Director of Competition Policy. Prior to Ofcom, he was at the OFT, where he first led the Market Studies' programme before becoming Senior Director with responsibility for infrastructure markets. Before that, he was at the Treasury where he headed teams focused on the microeconomics of private and public sector productivity. He worked as an economic adviser at the MMC (the predecessor to the CC) between 1994 and 1999.



Robin Finer,
Director of Economic Analysis

Robin Finer joined the CC in 2007 and has worked on a number of inquiries across a range of sectors. Previously, he was a Director in the Markets and Projects area of the OFT, where he led market studies and Competition Act 1998 investigations. Prior to this he worked as an economist on a wide range of OFT merger and antitrust investigations across many sectors, including a spell in the Chief Economist's team. He has also worked in the Directorate General for Competition of the European Commission in Brussels.



Tom Kitchen,
Director of Economic Analysis

Tom Kitchen joined the CC in the late 1990s for his second stint and became a director in the economics team in 2003. He has worked on many inquiries. Before joining the CC, his competition and regulatory work mainly focused on the transport and energy industries.



Roland Green,
Chief Legal Adviser

Roland Green joined the CC in 2010. He previously advised a series of government departments, in particular on areas of commercial law and regulation, including energy, competition, communications and trade law, including the reform of EU and UK competition and communications law from 2000 to 2006. He has also advised on a variety of public inquiries, public law and human rights issues. He joined the Government Legal Service from Linklaters in 1986.



Carole Begent,
*Deputy Chief Legal Adviser and
Head of International*

Carole Begent joined the CC in 2000. After several years as a solicitor in private practice specialising in corporate, commercial and regulatory law, she moved to Ofwat and subsequently ORR. She has been involved in managing change in consequence of changes to the competition (notably Enterprise Act and Competition Act) or regulatory regimes and most recently led the CC's contribution to the review of the UK merger regime. As well as leading the CC's international policy work, she has acted for the CC on mergers and market investigation and litigation, including BAA, Ryanair and SRCL.



Morven Hadden,
Legal Director

Morven Hadden joined the CC in 2007. She was previously a senior associate in the EU, Competition & Regulatory department of City law firm Simmons & Simmons in EU and competition law. She has worked at the DTI and at BIS as a competition policy and legal adviser on the media merger provisions and on proposals for reform of the UK competition law landscape. Morven has advised the CC on merger, market and regulatory inquiries as well as acting for the CC in litigation and has been involved in developing the CC's procedural guidance.



Simon Jones,
Legal Director

Simon Jones joined the CC from the Treasury Solicitor's Department in 2001. Since then, he has advised the CC on numerous merger, market and regulatory inquiries. He has acted for the CC in litigation in the High Court, Court of Appeal and Competition Appeal Tribunal.



Rebecca Lawrence,
Director of Corporate Services

Rebecca Lawrence joined the CC in 2005. She was formerly the Operations Director at the Rent Service (a DWP agency). She has a background in policy development and implementation, change management and frontline service delivery. She holds a degree in housing administration, is a qualified chartered accountant (CPFA) and holds a postgraduate diploma in Public Finance and Leadership from Warwick Business School.



John Kirkpatrick,
Director of Policy

John Kirkpatrick rejoined the CC in 2011 from the Audit Commission, where he was Director of Studies, responsible for the Audit Commission's programme of studies of value for money in local public services. He was an Inquiry Director at the CC from 2003 to 2006, leading merger and market inquiries. Prior to that he held several posts in the Departments of Education and Employment and as a management consultant with McKinsey & Company, advising commercial and non-profit clients. He has an MBA from Cranfield School of Management.