BDO is surprised and disappointed that despite stating at paragraph 76 that a “PCA exercise can certainly be performed with the available data”, the CC “at this stage does not propose to proceed with a PCA.” Even if some qualifications may need to be made in relation to a PCA, BDO considers that does not justify the CC failing to perform a PCA.

The sector classifications proposed by the CC (at, for example, Figure 2 in paragraph 69) are not necessarily appropriate. The CC has not, for example, referred to either real estate or retail as sector classifications, although the FTSE 350 contains a sufficient number of companies which would clearly be most appropriately classified within these sectors.

In summary, BDO considers that:

- the CC should get more value out of the various studies already done on this topic;
- the CC should certainly revisit whether to conduct a PCA; and
- the CC should use its data to perform alternative analyses to PCA, such as testing for a Big Four Premium.

BDO refers the CC to the separate Oxera submission responding to the CC’s PCA paper, which sets out more detailed reasoning.

Reference to paragraph numbers are to paragraphs of the relevant working paper (“WP”) unless stated otherwise.