

Competition Commission  
Annual Report and Accounts

2011/12



## **Competition Commission**

Annual Report and Accounts 2011/12

Presented to Parliament pursuant to  
section 186 of the Enterprise Act 2002

Ordered by the House of Commons to be printed 16 July 2012

© **Competition Commission 2012**

The text of this document (this excludes, where present, the Royal Arms and all departmental and agency logos) may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not in a misleading context.

The material must be acknowledged as Competition Commission copyright and the document title specified. Where third party material has been identified, permission from the respective copyright holder must be sought.

Any enquiries regarding this publication should be sent to us at [info@cc.gsi.gov.uk](mailto:info@cc.gsi.gov.uk).

This publication is also for download at [www.official-documents.gov.uk](http://www.official-documents.gov.uk) and from our website at [www.competition-commission.org.uk](http://www.competition-commission.org.uk).

ISBN: 9780102978476

Printed in the UK by The Stationery Office Limited  
on behalf of the Controller of Her Majesty's Stationery Office

ID 2493489 07/12

Printed on paper containing 75% recycled fibre content minimum

## CONTENTS

|   |    |
|---|----|
| The work and the role of the Competition Commission     | 4  |
| Chairman's statement                                    | 5  |
| The Council   | 6  |
| Chief Executive's report                                | 8  |
| Casework in the review period April 2011 to March 2012  | 11 |
| Inquiry reports published 1 April 2011 to 31 March 2012 | 12 |
| The Competition Commission's post-inquiry activities    | 25 |
| Reviews of undertakings and orders                      | 26 |
| Work streams  | 30 |
| Accounts  | 39 |
| Members' biographies                                    | 80 |
| Academic panellists                                     | 85 |
| Senior staff biographies                                | 86 |

# 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 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 relating to regulated sectors, in particular that which regulates the supply of gas, electricity, water, sewerage, rail, air traffic services, airport services, postal services and electronic communications. While these vary between the sectors, the CC's task is often to determine questions where there is a disagreement between regulated operators and the sector regulator concerning proposed changes to the price controls, terms of licences or other regulatory arrangements under which companies operate. It also has a particular appellate role relating to certain codes in the energy sector and has some functions under the legislation regulating the provision of financial services and legal services, and the Competition Act 1980.

# CHAIRMAN'S STATEMENT

---



**ROGER WITCOMB** Chairman

The CC has had another busy and successful year. We have dealt with a steady flow of mergers and regulatory appeals. We published the report of our investigation of local bus markets, and have started implementing our remedies. We are pleased that the Government has accepted most of the recommendations we made to it. This is one of four market investigations on which we have made progress during the year—an unprecedented volume of this work and testament to the importance of the market investigation regime.

We had only one appeal to defend in the Competition Appeal Tribunal (CAT), but it was an important one. In the long-running airports inquiry the CAT rejected an appeal by BAA against the CC's decision to order it to sell Stansted Airport. BAA has subsequently been granted leave by the Court of Appeal to appeal the CAT's decision.

The Government has now confirmed that, as part of a package of reforms to the UK competition regime, the CC and the OFT are to merge into a single Competition and Markets Authority (the CMA). The CC has supported the Government's proposals providing they preserve the features that give the current regime its high reputation. I am therefore pleased that the Government has confirmed that the CMA will be designed to preserve the strengths of the CC as an independent 'fresh pair of eyes' in a two-phase competition enforcement regime, with robust, thorough and transparent processes. A single authority

should improve efficiency, offer wider career opportunities for staff and allow the CC's unique approach to be applied to a wider set of decisions. But difficult judgements remain for the new authority. It will need to strike the right balance between speed and thoroughness, and to maintain the separation, within a single authority, between decision makers at Phase 1, who initiate cases and decide whether they need further scrutiny, and decision makers at Phase 2 who direct the detailed investigation, reach conclusions and determine remedies. The CC and OFT are actively working together and with the Department for Business, Innovation and Skills (BIS) and the Treasury to ensure a smooth transition.

The CMA is not expected to start its work until 2014. Preparing for it in the intervening period will be a big task, and will need to be appropriately resourced. But for the next two years the CC must continue to exercise its role in underpinning the UK's economic performance and growth by coming to sound robust decisions on the important cases that are referred to it. It is essential that it does not allow itself to be distracted by the prospective organisational changes from performing that role, and that it is given the resources to do so.

As well as saying farewell in May to Peter Freeman, to whom I paid tribute in last year's Review, we have also lost Peter Davis, who resigned in August—he made a great contribution to the work of the CC in his five years as Deputy Chairman. Laura Carstensen also stood down as a Deputy Chairman in December, but happily is remaining as a member, and continues to chair two market inquiries. In their place we welcome three newcomers. Professors Martin Cave and Alasdair Smith are both distinguished economists with extensive experience of applying economics to real world issues from Armed Forces pay to housing and water regulation. Simon Polito is an equally distinguished and experienced competition lawyer with experience as a 'customer' of the CC. All three exemplify the benefits of the CC's member system—acknowledged experts in relevant fields applying their experience and expertise to competition issues. We also said goodbye to Dame Patricia Hodgson, who had been a non-executive member of the CC Council since 2004. Her contribution to the strategic focus and the public face of the CC has been immense, and I personally have benefited hugely from her wise advice.

Over the 64 years of its existence the CC (formerly the Monopolies and Mergers Commission (MMC)) has experienced, and indeed embraced, great change. I am confident that it will continue to do so, and if, as seems likely, the next phase of its long life will see it subsumed into a larger body, its members and staff will continue to perform with their customary vigour and effectiveness.

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 two 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 the Centrica Review of Undertakings and the Ratcliff Palfinger/Ross and Bonnyman, Stericycle/Ecowaste and Anglo American/Lafarge merger inquiries. Roger is also 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 1996–2002. 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. He is currently chairman of the aggregates, cement and ready-mix concrete market investigation 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 South Staffordshire/Cambridge water and DCC/Rontec merger inquiries.



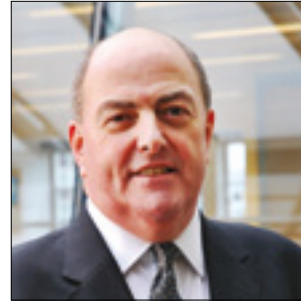
**PROFESSOR ALASDAIR SMITH** was appointed Deputy Chairman in January 2012. He has been a Professor of Economics at the University of Sussex since 1981 and was Vice-Chancellor of the University from 1998 to 2007. He is an international economist and has written extensively on the effects of the single European market and EU enlargement on competition. He is currently 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 cases include a telecommunications price control appeal—Wholesale broadband access, the VPS Holdings/SitexOrbis Holdings merger inquiry, and the McGill's/Arriva Scotland West merger inquiry.



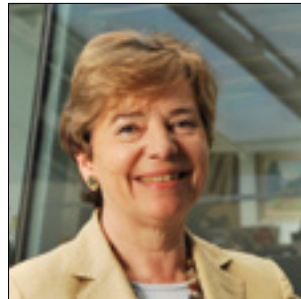
**LAURA CARSTENSEN** served as Deputy Chairman between February 2009 and December 2011, having been a member since 2005. She is a senior lawyer with extensive experience of EU and UK competition law practice including as a partner in the City law firm Slaughter and May (1994–2004). She is also a member of the Cooperation & Competition Panel for NHS Funded Services and the Business Oversight Board of The Law Society of England and Wales. Recent cases include the movies on pay TV market investigation, the BAA airports market investigation, and the statutory audit services market investigation.



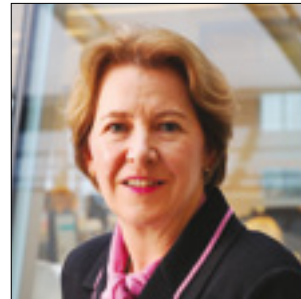
**DR PETER DAVIS** served as Deputy Chairman between September 2006 and August 2011, and was previously on the CC's academic panel of expert economists from 2004. He received his PhD from Yale and served on the faculties of MIT Sloan and then LSE Economics before joining the CC. He served as President of the Association of Competition Economics 2009–2011. He is currently Senior Vice President at Compass Lexecon. His academic work has appeared in a number of leading journals and most recently his book *Quantitative Techniques for Competition and Antitrust Analysis* (co-authored with Eliana Garces-Tolon) was published by Princeton University Press. Recent cases included the Zipcar/Streetcar and Stena/DFDS merger inquiries.



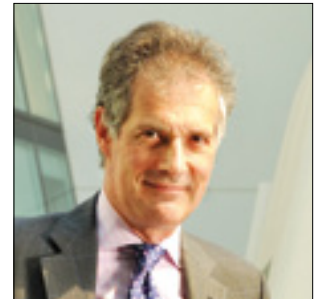
**GREY DENHAM** was appointed non-executive Council member in 2009. He is Chair of the CC Remuneration Committee. He is a qualified barrister and has spent most of his career in global manufacturing businesses. He specialised in international mergers and acquisitions and in governance and compliance. 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 PATRICIA HODGSON DBE** served as a non-executive Council member between January 2004 and December 2011. In July 2011 she was appointed Deputy Chairman of Ofcom. She is Principal of Newnham College, Cambridge and Chair of the School Teachers' Pay Review Body. She was formerly a member of the BBC Trust and of the Higher Education Council for England, a Governor of the Wellcome Trust and member of the Committee for Standards in Public Life. She has worked previously as both a producer and journalist. Past work includes: BBC main board Director, Policy & Planning, Chief Executive of the Independent Television Commission, Chair of the Higher Education Regulation Review Group and non-executive director of GCap Media plc.



**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.





**DAVID SAUNDERS** Chief Executive

The last year has seen a significant increase in the CC's workload, with two new market investigation references during the year (the audit market and aggregates), as well as a steady flow of merger references and regulatory work. Two of the merger references, Thomas Cook/Co-op (which was the first to use an expedited reference procedure) and Anglo American/Lafarge, were unusually large and complex cases as was the mobile voice call termination price appeal. We completed the local bus services market investigation in December and are still working on the movies on pay TV investigation, which has to be completed by 3 August. We have also continued to make progress on implementing the remedies arising from our BAA market investigation; BAA has taken forward the sale of Edinburgh Airport. We have completed implementation of our remedies package from the payment protection insurance (PPI) investigation, and the Government has made progress in implementing remedies from the groceries investigation. A draft Bill establishing the Groceries Code Adjudicator underwent pre-legislative scrutiny this year (we contributed to the process) and is now being debated in Parliament. In addition, as the Chairman

explains in his foreword, we have been much engaged during the year in discussions with BIS, the Treasury and the OFT, and a wide range of other interested parties, about the Government's proposals for possible institutional reform and other changes to the competition regime.

### Value of the competition regime

As the Government's statement on reforming the competition landscape makes clear, competition is a key driver for growth. Strong and effective competition policy and enforcement makes for thriving businesses and empowered consumers. Although some of the benefits flowing from 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 OFT have calculated an aggregate consumer benefit of £661 million for 2011/12 for the market investigation regime and £11 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). 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 or five merger inquiries, two or three market investigations and at least two other substantial pieces of work (regulatory appeals or implementation of remedies for example). Inquiries vary considerably in their complexity and resource requirements. But this level of work is considerably greater than I reported last year, and shows no sign of declining in 2012/13.

### Efficiency, effectiveness and governance

Despite the increase in our workload, we have managed to stay within our 2011/12 budget of £18.1 million, which was 4 per cent less than the budget for the previous year. During the year we had approximately 41 per cent occupancy of the space for which we are responsible in Victoria House. Most of the remaining space is let to tenants, but at the year-end we have some space that is vacant, which will put pressure on our 2012/13 budget. Our budget for 2012/13 is £17.4 million, which is 3.9 per cent less than for 2011/12. Our workload has increased significantly in the last year, following a period of decline

coupled with sharp reductions in budgets and expenditure, and looks very likely to increase further in 2012/13. We have no control over our workload, and have to deal with much of our work within statutory deadlines and to a quality that is good enough to withstand rigorous scrutiny and challenge. We have therefore had to recruit additional staff to handle the additional inquiry work. On current plans we do not expect to be able to manage within our budget, both due to the additional staff, and to having vacant space in Victoria House during the year. BIS is aware of the pressures we face and we will work closely with the department during the year to manage the situation.

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 Customer Services Excellence standard whilst the ICT team has retained its ISO 20000 accreditation. The team continues to earn an income of about £200,000 annually from the provision of shared services to our tenants.

### Process improvements

We have completed implementation of the recommendations of the independent panel that examined our rules and practices for handling possible conflicts of interest of our members and staff, including appointing the CC's Chief Legal Adviser as compliance officer. The new arrangements have been audited by our internal auditors and given a green rating (indicating a strong control environment).

In May the CC published its response to the results of the latest Stakeholder Perception Survey.<sup>1</sup> The survey was commissioned in order to monitor stakeholders' levels of satisfaction with the CC's performance and to track any changes from the previous study conducted in 2009. Overall satisfaction with the CC remained highly positive with more than one-third (35 per cent) of stakeholders giving a high overall satisfaction rating; this has not changed significantly since the last survey. The CC continues to perform well on two factors that are important to stakeholders, thoroughness and transparency, and is also well regarded for the expertise of its members and staff and the fairness and impartiality with which its inquiries are conducted. The main improvement identified since the last survey was 'providing a clear timetable at the start'. Over half of all respondents expressed a high degree of satisfaction on this issue.

The areas where stakeholders were least satisfied continue to be related to the demands that CC investigations make on parties, how well decisions are explained and how up to date the CC is with practices in the industries investigated. Satisfaction ratings in these areas have not changed significantly since 2009, with the proportion of stakeholders dissatisfied with the CC remaining below one-quarter, and in most cases high scores exceeding low ones. The CC will continue its efforts to improve its performance in these areas.

Later sections of this report summarise the activities and outcomes of the work streams set out in our business plan. We have made particularly good progress on working jointly with the OFT on learning lessons from experience and improving the efficiency of the regime overall ahead of the proposed merger. We have benefited from the secondment of the deputy Chief Economist from the European Commission's Directorate General for Competition, Miguel de la Mano, for part of the year to be our Chief Economist, while the incumbent, Alison Oldale, has been on secondment to the US Federal Trade Commission.

The main challenge during the next year will undoubtedly be managing our high workload successfully, while also coping with the inevitable uncertainty generated by the Government's proposals for institutional change, which will cast a long shadow since the proposed merger is unlikely to take place until April 2014. We will need to continue to work with BIS, the Treasury and the OFT to ensure that the potential benefits of the reforms are secured and the risks associated with them are carefully managed, which will put further pressure on our resources. It will continue to be vital for us not to get distracted by the prospect of longer-term changes, to concentrate on delivering world class outcomes to the wide range of investigations that we will be undertaking during the year, and so to play our part in helping the UK economy to grow and prosper.

---

1. See [www.competition-commission.org.uk/assets/competitioncommission/docs/2012/analysis/120116\\_report\\_main\\_2011\\_stakeholder.pdf](http://www.competition-commission.org.uk/assets/competitioncommission/docs/2012/analysis/120116_report_main_2011_stakeholder.pdf) and [www.competition-commission.org.uk/assets/competitioncommission/docs/2012/analysis/cc\\_response\\_to\\_2011\\_stakeholder\\_survey.pdf](http://www.competition-commission.org.uk/assets/competitioncommission/docs/2012/analysis/cc_response_to_2011_stakeholder_survey.pdf) for detailed results and the CC's response.

## INQUIRY REPORTS PUBLISHED 1 APRIL 2011 TO 31 MARCH 2012

12–24

|  |    |
|--|----|
| Local bus services   | 12 |
| BAA airports   | 14 |
| Stena AB/DFDS Seaways Irish Sea Ferries Ltd                                    | 15 |
| Ratcliff Palfinger Ltd/Ross & Bonnyman Ltd                                     | 16 |
| Thomas Cook Group Plc/Co-operative Group Ltd/Midlands Co-operative Society Ltd | 17 |
| Sector Treasury Services Ltd/Butlers   | 18 |
| BATS Trading/Chi-X Europe  | 19 |
| Kerry Foods/Headland Foods   | 20 |
| Stericycle Inc/Ecowaste Southwest Ltd  | 21 |
| Alpha Flight Group Ltd/LSG Lufthansa Service Holding AG                        | 22 |
| Wholesale mobile voice call termination  | 23 |

## CASEWORK IN THE REVIEW PERIOD APRIL 2011 TO MARCH 2012

### OVERALL WORKLOAD

In 2011/12, the CC progressed five market investigations, two of which were referred during the year with two reports being published, using more streamlined processes. The CC progressed 14 merger inquiries with four carrying over to 2012/13. Notably, there were ten merger referrals during the year, an increase from four the previous year. The CC was engaged in two Communications Act appeals, one of which remains ongoing. The CC has also been engaged in a number of reviews of undertakings and orders and this work is summarised on pages 25 to 28.

| Market investigations   | Date of referral | Status at 31 March        |
|---|------------------|---------------------------|
| BAA airports  | 29/03/2007       | Published; appeal ongoing |
| Local bus services  | 07/01/2010       | Published                 |
| Movies on pay TV  | 04/08/2010       | Ongoing                   |
| Supply of statutory audit services  | 21/10/2011       | Ongoing                   |
| Supply of aggregates, cement and ready-mix concrete   | 18/01/2012       | Ongoing                   |
| Merger inquiries  |                  |                           |
| Stena AB/DFDS Seaways Irish Sea Ferries Ltd   | 08/02/2011       | Published                 |
| Ratcliff Palfinger Ltd/Ross & Bonnyman Ltd  | 18/02/2011       | Published                 |
| Thomas Cook Group Plc/Co-operative Group Ltd/Midlands Co-operative Society Ltd  | 02/03/2011       | Published                 |
| Sector Treasury Services Ltd/Butlers  | 31/03/2011       | Published                 |
| BATS Trading/Chi-X Europe   | 20/06/2011       | Published                 |
| Kerry Foods/Headland Foods  | 12/07/2011       | Published                 |
| News Corp/British Sky Broadcasting Plc  | 13/07/2011       | Cancelled                 |
| Stericycle Inc/Ecowaste Southwest Ltd   | 25/08/2011       | Published; appeal ongoing |
| Anglo American Plc/Lafarge S.A.   | 02/09/2011       | Ongoing                   |
| Alpha Flight Group Ltd/LSG Lufthansa Service Holding AG   | 10/10/2011       | Published                 |
| Kent Messenger Limited/Northcliffe Media Limited  | 18/10/2011       | Cancelled                 |
| South Staffordshire Plc/Cambridge Water PLC   | 05/01/2012       | Ongoing                   |
| VPS Holdings Ltd/SitexOrbis Holdings Limited  | 05/03/2012       | Ongoing                   |
| Linergy Ltd/Ulster Farm By-Products   | 15/03/2012       | Cancelled                 |
| Regulatory appeals  |                  |                           |
| British Telecommunications plc v Ofcom; Everything Everywhere Limited v Ofcom; Hutchison 3G UK Limited v Ofcom; and Vodafone Limited v Ofcom telecommunications price control appeal: Wholesale mobile voice call termination | 30/06/2011       | Published; appeal ongoing |
| British Telecommunications plc v Ofcom telecommunications price control appeal: Wholesale broadband access charge control   | 02/11/2011       | Ongoing                   |
| Phoenix Natural Gas Limited price determination   | 28/03/2012       | Ongoing                   |
| Reviews of undertakings and orders  |                  |                           |
| Kemira GrowHow Oyi/Terra Industries Inc review of undertakings  | 18/11/2009       | Published                 |
| Centrica review of undertakings   | 08/09/2010       | Published                 |
| Domestic Electrical Goods Order and associated undertakings   | 24/06/2011       | Published                 |
| Provident's 1982 trading checks undertakings  | 24/06/2011       | Published                 |
| Credit Cards (Price Discrimination) Order 1990  | 06/09/2011       | Published                 |
| Arriva Southern Counties' 1995 undertakings relating to bus services in Mid and West Kent   | 08/12/2011       | Published                 |
| FirstGroup's 2004 ScotRail undertakings   | 19/01/2012       | Ongoing                   |

---

# Market investigation into the supply of local bus services in the UK (excluding Northern Ireland and London)

---



## **Inquiry background**

The CC examined the provision of local bus services, both commercial and supported, in the UK excluding Northern Ireland and London. Five operators accounted for around 69 per cent of all local bus services, although there were around 1,450 distinct operators in total. Some operators were large and multi-regional, some were municipally-owned, while others were much smaller; single-area operators. While most services were provided commercially, some services received public support to make them viable; contracts to run these supported services were usually tendered. Local bus markets differed substantially in the identity of operators present, the extent of concentration, and the nature of competition in those markets.

## **Findings**

The CC found that head-to-head competition in the supply of local bus services was uncommon. Many local markets exhibited persistently high levels of concentration and few areas had many routes which overlapped significantly with rival operators. Ongoing sustained head-to-head competition, where present, delivered significant benefits to customers. In particular, it was found that operators tended to run more

services when facing competition, and there was also evidence of an effect on fares.

## **Limitations in competition**

The CC found that the process of competition could result in periods of intense short-lived rivalry, leading to the exit of one operator. This reduced the extent of head-to-head competition. The anticipation of such costly rivalry created a barrier to entry and expansion. Along with other barriers to entry and expansion such as sunk costs of entry, network and ticketing advantages for incumbents, restrictions on access to bus stations, and the possibility of cheap exclusion (responses to entry which do not benefit customers such as obstructing and intimidating rivals), this reduced the competitive constraint from potential competition and new entry.

## **Geographic market segregation**

The CC found that competition had been diminished by operator conduct leading to geographic market segregation. There was evidence that this conduct occurred in relation to two operators in parts of the North-East of England. This reduced the extent of head-to-head competition between

---

Competition was not fully effective in local bus markets.  
In some cases tendering practices meant that competition for the tendering of supported services was reduced.  
Competition would lead to customer benefits in lower fares and provision of additional services.  
Outcome: The CC set out a package of remedies to open up the market, and to promote competition in relation to the tendering of contracts for supported services, and it also made recommendations about the wider policy and regulatory environment.

---

*Inquiry Group:*  
Jeremy Peat (Chairman)  
Ivar Grey  
Professor Thomas Hoehn  
Katherine Holmes  
Professor Mike Waterson

operators and reduced the constraint from potential competition and new entry. Aspects of this conduct were seen elsewhere and the CC was concerned that such conduct may be more widespread.

### Conclusions

The CC identified four features which prevented, restricted or distorted competition in the provision of local bus services:

- high levels of concentration;
- barriers to entry and expansion;
- customer conduct in deciding which bus to catch; and
- operator conduct by which operators avoided competing with other operators in 'Core Territories' (certain parts of an operator's network which it regards as its 'own' territory) leading to geographic market segregation.

The CC found that, in most cases, the markets for the tendering of contracts for supported local bus services worked well. However, in some cases features of the market impaired the process of competition. These features were:

- the way Local Transport Authorities (LTAs) design tenders; and
- the limited number of potential bidders in some local areas.

The CC found that detriment to consumers arose through a reduced quality of service (particularly the provision of fewer services) and higher fares than would otherwise apply. It also found that the detrimental effects in relation to competition for the tendering of supported services were reduced choice and innovation, higher costs and/or reduced quality of service. Detriment to consumers and taxpayers as a result of these AECs was likely to be between £115 million and £305 million a year.

### Remedies

The CC's final remedies package consisted of the following three elements:

Market-opening measures to reduce barriers to entry and expansion and thereby reduce high concentration in markets for commercial bus services:

- recommendations to national governments, LTAs and the OFT to facilitate the development and reform of multi-operator ticketing schemes;
- recommendations to national governments to introduce changes to service registration requirements; to empower Transport Commissioners to introduce and enforce a Code of Conduct; and to introduce limited restrictions on operator conduct during the sale of municipal bus companies; and
- an Order requiring bus operators who manage bus stations to give fair access to rivals.

Recommendations to national governments to enable LTAs to promote competition in relation to the tendering of contracts for supported services through:

- provision of best practice guidance on tendering; and
- introduction of powers for LTAs to obtain information on newly deregistered services.

Recommendations about the wider policy and regulatory environment, relating to:

- compliance with and effective enforcement of competition law;
- the use of partnerships to facilitate increased competition; and
- the use of Bus Service Operators Grant (BSOG) to incentivise the development of and participation of operators and LTAs in a number of these remedies.

### Outcome

The CC is currently consulting on the draft Order implementing the remedy in relation to access to bus stations.

The Government responded positively to the CC's recommendations on 26 March 2012, as part of a package of reforms aimed at increasing passenger numbers. The OFT also published its initial response to the report.

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/local-bus-services](http://www.competition-commission.org.uk/our-work/local-bus-services).

---

# Market investigation into BAA airports (consideration of possible material changes of circumstances)

---

## *Inquiry Group:*

Peter Freeman (Chairman—retired July 2011)  
Laura Carstensen (Chairman—following retirement of Peter Freeman)  
Jane Almond  
Jill Hill  
John Smith  
Peter Davis (resigned in August 2011)

---

## Background

The CC's report on the supply of airport services by BAA in the UK, published in March 2009, identified features of the market which had an adverse effect on competition (AEC). These included the common ownership of certain airports by BAA. The remedies included a requirement for BAA to divest Gatwick Airport, Stansted Airport and then either Edinburgh or Glasgow Airport. BAA sold Gatwick Airport in 2009, but appealed the CC's decision. In October 2010 the Court of Appeal ruled in favour of the CC, upholding the legal effect of the report and the decisions to require BAA to divest both Stansted Airport and either Edinburgh or Glasgow Airport. However, having regard to the length of time that had elapsed as a consequence of the appeals, and the fact that there had been changes in government policy towards building new runway at airports in the South-East, the CC invited submissions as to whether there had been a change of circumstances or other special reason such that the CC should do anything other than confirm the remedies previously decided upon.

## Material changes of circumstances review

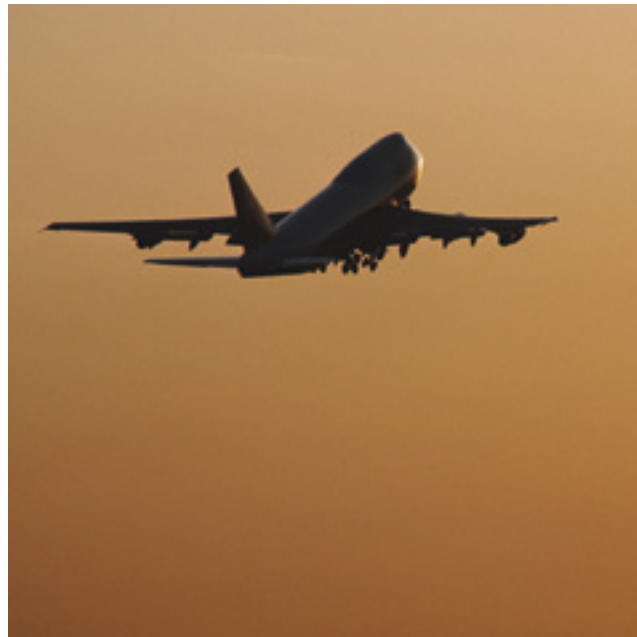
The CC consulted on whether there had been any material change in circumstances since the report's publication, such that the CC should no longer require BAA to divest Stansted Airport and either Edinburgh or Glasgow Airport. BAA submitted that there had been changes, as a result of a change in government policy in relation to the possibility of new runway capacity being built in the South-East, changes in the scope for competition between Heathrow and Stansted and changed market conditions relating to Stansted.

## Conclusions

The CC decided that (a) the change in government policy regarding construction of additional runway capacity in the South-East constituted a significant development; (b) other proposed changes were not significant; and (c) the proportionate remedy for the AEC constituted by BAA's ownership of Heathrow and Stansted together remained that BAA sell Stansted. It therefore confirmed that BAA should sell one of its Scottish airports and Stansted, with Stansted being sold first.

## Appeal

In September 2011, BAA appealed this decision of the CC, but only as regards Stansted Airport. On 1 February 2012,



the CAT dismissed BAA's appeal and upheld the CC's assessment that it remained a proportionate and appropriate remedy to require BAA to divest Stansted Airport. BAA has been granted leave to appeal the CAT's judgment by the Court of Appeal.

## Sale of Edinburgh and Stansted Airports

In view of the likely delay that the appeal by BAA would have created for the sale of one of the Scottish airports, the CC required BAA to proceed with the divestment of either Edinburgh or Glasgow Airport before Stansted, while BAA's appeal in relation to Stansted was considered. In October 2011 BAA announced that it was selling Edinburgh Airport, and in November 2011 the CC accepted final undertakings from BAA as regards the divestment process for Edinburgh and Stansted Airports, subject in the case of Stansted to the outcome of BAA's appeal. BAA then conducted an auction process for Edinburgh Airport in which the CC reviewed potential buyers to ensure that they met its criteria on appropriate expertise, financial resources, independence from BAA and absence of further competitive concerns. BAA announced the sale of the airport to Global Infrastructure Partners on 23 April.

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/baa-airports](http://www.competition-commission.org.uk/our-work/baa-airports).

# Merger inquiry into the completed acquisition by Stena AB from DFDS A/S of certain vessels and assets operated on the Irish Sea

The merger involved two of the ferry operators active on the Irish Sea that transported both freight and passengers on a variety of routes, that could be grouped into ‘corridors’. The CC found that: there was a limited degree of competition between corridors; on each route the merged entity faced a direct competitor with significant spare capacity; and entry was unlikely given prevailing conditions, but entry barriers were not overwhelming so there might be entry in the future.

Outcome: The merger was cleared.

*Inquiry Group:*  
Peter Davis (Chairman)  
Phil Evans  
Richard Farrant  
Anthony Morris

## The market

The inquiry concerned the completed acquisition by Stena AB (Stena) from DFDS A/S (DFDS) of certain vessels and assets operated on the Irish Sea.

The Irish Sea was essentially viewed by the industry as comprising five corridors: the ‘northern corridor’; the ‘diagonal routes’; the ‘long-sea central corridor’; the ‘short-sea central corridor’; and the ‘southern corridor’.

Before the acquisition, both Stena and DFDS ran freight and passenger service ferries on the Irish Sea. As a result of the acquisition, Stena took over two of the routes that DFDS had been operating (Liverpool–Belfast and Heysham–Belfast). Following the acquisition, DFDS closed the two other routes that it had been operating (Liverpool–Dublin and Heysham–Dublin). At almost the same time as it completed the acquisition, Stena also closed the route it had operated between Fleetwood and Larne.

In identifying the relevant markets, the CC considered that services across the Irish Sea were likely to be differentiated, so that routes that operated within the same corridor were likely to be closer substitutes than those in different corridors, and services for the same type of freight were likely to be closer substitutes than services for different types. The CC considered that this differentiation should be properly assessed within a single relevant market for the provision of ferry services for freight across the Irish Sea.

## Findings

The CC found that Stena would have closed its Fleetwood–Larne route regardless of the acquisition, and that it would not have opened any other diagonal route in the counterfactual. DFDS would have continued to operate its Belfast routes and would have closed its Dublin routes absent the acquisition. Further, other operators would have acted as they in fact did.

The CC found that Stena would continue to face substantial competition in each of the three corridors in which it operated. The diagonal corridor did offer a significantly differentiated product (due to long crossing times). However, the CC found that Stena faced no loss of direct competition for unaccompanied freight between the longer ‘diagonal’ routes as a result of the acquisition.



For smaller customers, the CC found that there could be an obstacle to switching to unaccompanied freight. However, the CC noted that there was a viable alternative within the diagonal corridor for small accompanied hauliers.

With regard to passengers, the CC found the Liverpool–Belfast route to be a highly differentiated service. The views of ferry operators and the data analysed indicated that the constraints offered by routes in other corridors to passenger services between Liverpool and Belfast were not substantial. The CC found that entry was unlikely in the short term, given reduced demand for haulage arising from the weak state of the UK and Irish economies. However, the CC noted that the barriers relating to the ability to acquire the assets needed to enter were not overwhelming, raising the possibility of entry in the future.

## Conclusion

The CC found that the merger had not resulted and would not be expected to result in an SLC.

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/stena-dfds](http://www.competition-commission.org.uk/our-work/directory-of-all-inquiries/stena-dfds).



---

# Merger inquiry into the anticipated acquisition by Ratcliff Palfinger Limited of the commercial vehicles tail lifts spare parts business of Ross & Bonnyman Holdings Limited

---

The merger involved two UK manufacturers of tail lifts and suppliers of spare parts to repair and maintain tail lifts.

There was little, if any, competition between tail lift manufacturers in the supply of spare parts.

Outcome: The merger was cleared.

---

*Inquiry Group:*  
Roger Witcomb (Chairman)  
Roger Davis  
John Longworth  
Richard Taylor

## The market

The inquiry concerned the anticipated acquisition by Ratcliff Palfinger Limited (Ratcliff) of the commercial vehicles tail lifts spare parts business of Ross & Bonnyman Holdings Limited (R&B).

Ratcliff and R&B were leading UK suppliers of tail lifts, used to transfer goods in and out of commercial vehicles when the load base of the vehicle is at a different level from that of the loading or unloading point.

Ratcliff manufactured and supplied tail lifts for commercial vehicles and other products. R&B had run down its commercial vehicles tail lift manufacturing business and had stopped manufacturing new tail lifts. They both still manufactured and supplied spare parts to repair and maintain their tail lifts.

## Findings

The CC was satisfied that R&B's rationale for the merger was to sell the tail lifts spare parts business and therefore it focused its analysis of the competitive effects of the merger solely on the sale of the spare parts business.

The CC found that manufacturers of tail lifts designed their own products and most of the parts they used were designed and manufactured for that tail lift—and were not interchangeable with parts used in tail lifts designed by other manufacturers. A small percentage of parts were interchangeable, but these tended to be generic items (such as power packs), some of which could be sourced from multiple outlets, not just from tail lift manufacturers. Agents would nearly always use spare parts sourced from the tail lift manufacturer that made the tail lift they were working on, because of the limited ability to fit parts made by other tail lift manufacturers, concerns about liability should a generic piece fail, and because of either explicit or implicit requirements of the manufacturers to use only genuine spare parts in repairs. There was no evidence to suggest that manufacturers encouraged agents or anyone else to use their spare parts on other manufacturers' tail lifts.

The CC found that R&B's decision to wind down its tail lift manufacturing business was not in any way influenced by the agreement to sell its associated spare parts business. R&B had decided to exit tail lift manufacturing, to realise



cash to reduce its debt to the bank, some time before entering into discussions with Ratcliff, and had already stopped manufacturing even though the merger had not been completed.

The CC found that the acquisition would not affect competition in the spare parts market because competition between suppliers of spare parts for different makes of tail lift was already extremely limited, as most spare parts were designed specifically to fit one make of tail lift.

## Conclusion

The CC concluded that the merger may not be expected to result in an SLC.

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/ratcliff-palfinger-ross-bonnyman](http://www.competition-commission.org.uk/our-work/directory-of-all-inquiries/ratcliff-palfinger-ross-bonnyman).

---

# Merger inquiry into the anticipated joint venture between Thomas Cook plc, the Co-operative Group Limited and the Midlands Co-operative Society Limited

---

The joint venture involved one of the two major vertically-integrated leisure tour operators active in the UK and two UK-based travel agency businesses. The increasing role of the Internet, the possibility of entry, growth by rivals and package holiday operators, and customer response to loss of rivalry would reduce the joint venture's incentives to lower discounts.

**Outcome:** The joint venture was cleared.

---

#### *Inquiry Group:*

Laura Carstensen (Chairman)  
Professor John Cubbin  
Roger Finbow  
Professor Robin Mason  
Jonathan Whitticar

## The market

The inquiry concerned the anticipated joint venture between Thomas Cook, one of the two major vertically-integrated tour operators active in the UK which offered a range of package holidays and associated products and services both through its own and third party travel agencies and direct to consumers, and two UK-based travel agency businesses.

The CC used the sale of overseas package holidays via high street travel agents as the product market to adopt in its assessment of competitive effects but took account of possible constraints from outside that market and segmentation within it.

The CC considered whether there might be local, regional and national aspects to competition and therefore there might be local, regional and/or national markets. The CC used a national candidate market for the provision of package holidays in its assessment of the vertical effects of the joint venture.

## Findings

### *Horizontal effects*

The CC found no evidence of local variation in the non-price aspects of the retail offer in response to local competition. The CC did not expect that this would change as a result of the joint venture.

The CC found that discounts varied on a local basis. Some of this variation was related to local competitive conditions, although other factors such as Internet prices, that applied nationally, were also important. The CC did not expect that the joint venture could manage local discounts successfully in a way that exploited local competitive conditions given national constraints like the Internet and the range of other factors which inform local discounting.

The CC found that the scale of any local competitive effects would be limited by the joint venture's ability to reduce discounts. Further, the CC found that the potentially relevant discounts were responsive to various factors, of which local competition was only one.

The CC considered that the possibility of entry into selected areas and the growth of rivals and package holiday operators looking to maintain or expand their route to market were likely to dampen the joint venture's incentives to reduce discounts. The increasing role of the Internet and customer



response to loss of local rivalry might further reduce the scope for price effects over time.

The CC found that the incentives for the joint venture to raise prices or otherwise worsen the retail offer were likely to be weaker at the national level than at the local level.

The CC found no evidence of particular regional (rather than local) price variation, regional pricing policies, or that other elements of the retail offer varied regionally and the CC did not consider that this was likely to change.

### *Vertical effects*

The CC found that all of the joint venture stores were likely to favour sales of Thomas Cook's holidays, to the same or lesser extent that Thomas Cook's own stores currently did.

The CC found that if a foreclosure strategy were to affect any particular tour operators, the number of firms involved would be small and, given the structure of that upstream market, any effects on competition were likely to be negligible.

The CC found no clear evidence that Thomas Cook would have an incentive to foreclose and it was highly unlikely that the joint venture could create an incentive that would not otherwise exist.

## Conclusion

The CC found that the anticipated joint venture may not be expected to result in an SLC in any markets in the UK for goods or services.

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/thomas-cook-co-op-midlands](http://www.competition-commission.org.uk/our-work/directory-of-all-inquiries/thomas-cook-co-op-midlands).

---

# Merger inquiry into the completed acquisition by Sector Treasury Services Limited of ICAP PLC's treasury management advisory services business (Butlers)

---

The merger involved two of the leading operators in the market for the provision of retained treasury management services to UK local authorities.

Had the merger not taken place, the evidence suggested that Butlers would have been closed by ICAP PLC. The merger therefore did not reduce the number of competing companies in the market.

Outcome: The merger was cleared.

---

*Inquiry Group:*  
Malcolm Nicholson (Chairman)  
Ian Jones  
Anthony Stern  
Tony Stoller

## The market

The inquiry concerned the completed acquisition by Sector Treasury Services Limited (STS) of ICAP PLC's treasury management advisory services business (Butlers).

Treasury management is the process by which public and private sector bodies manage their cash flows and associated financial risks. This includes deciding when, for how long and with whom to invest surplus funds and/or from whom to borrow additional funds and on what terms. External advisers may be engaged by these bodies to assist them with their treasury management activities by providing treasury management advisory (TMA) services. In the case of local authorities, TMA services can, for example, include providing information on changes to public credit ratings and on the pros and cons of various investment and borrowing options.

The CC assessed the effect of the merger in the market for the supply of TMA services to UK local authorities under retainer contracts.

## Findings

### The counterfactual

The CC considered what was likely to have happened to Butlers had it not been sold to STS. It found that, although Butlers was not failing financially, there were particular and exceptional circumstances in this case that made it commercially rational for ICAP to close Butlers rather than retain it, in the absence of a sale to STS.

ICAP would then have gradually wound down its contracts with a view to full exit in the foreseeable future.

### Competitive assessment

The CC found that although the number of market participants declined from four to three following the merger, this would also have happened in the counterfactual when ICAP closed Butlers. The distribution of market shares would



be different, but there would remain two strong competitors bidding for TMA services contracts in both cases. Further, the evidence suggested that size of market share alone would be unlikely to result in differences in competitive strength.

The CC found that, following the merger, STS had additional incumbency advantages in relation to ex-Butlers clients that it would not have had in the counterfactual. These incumbency advantages could potentially allow STS to make less attractive bids when Butlers' contracts were re-tendered. However, the evidence suggested that this effect was likely to be small.

The CC found that the merger was likely to cause a small reduction in competition compared with the counterfactual in relation to those Butlers contracts that would be renewed through retendering. Given the small overall size of the relevant market, the impact of this small reduction in competition was likely to be minor.

## Conclusion

The CC concluded that the merger may not be expected to result in an SLC.

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/sector-treasury-services-icap-butlers](http://www.competition-commission.org.uk/our-work/directory-of-all-inquiries/sector-treasury-services-icap-butlers).

# Merger inquiry into the anticipated acquisition by BATS Global Markets, Inc of Chi-X Europe Ltd

The merger involved the UK's two largest Multilateral Trading Facilities (MTFs). These are exchanges which facilitate the trading of equities listed on primary exchanges.

While there was some evidence of barriers to entry, connected to the minimum volume of trades needed to attract further liquidity to an exchange, these were not overwhelming. This was primarily due to the size and sophistication of the main customers (investment banks) of the principal MTFs and their track record of supporting new entrants.

Outcome: The merger was cleared.

*Inquiry Group:*  
Malcolm Nicholson (Chairman)  
Carolan Dobson  
Richard Farrant  
Ian Jones

## The market

The inquiry concerned the anticipated acquisition by BATS Global Markets, Inc (BATS) of Chi-X Europe Ltd (Chi-X), the UK's two largest MTFs.

MTFs provide facilities for electronic, order-driven secondary market trading in the most liquid equities including (but not limited to) the constituents of the FTSE 100 and other equity-like instruments (eg Exchange Traded Funds, Exchange Traded Commodities, Depository Receipts) during a continuous intra-day trading window. These MTFs compete against the former national exchanges, in the case of the UK the London Stock Exchange.

The reference was made principally on the basis that a merger would reduce the market from three major rivals to two (the third being Turquoise, majority owned by LSEG, the group that owns the London Stock Exchange).

The CC used a market of intra-day on-book lit trading in UK equities for its competitive assessment, but took account of substitution to alternative options (such as off-book dark pools and over-the-counter broker trading) in assessing the effect of the merger on competition.

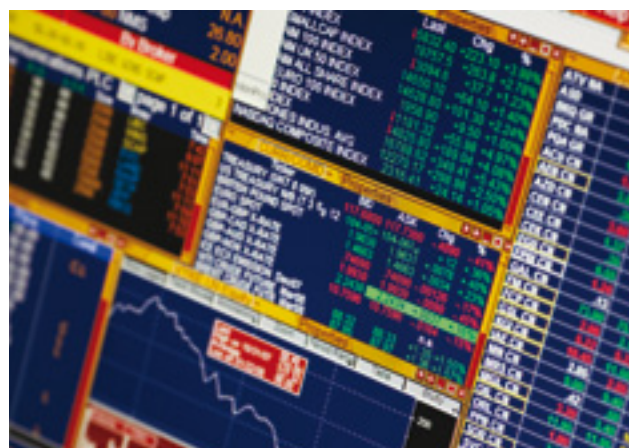
## Findings

### *Merger effects on the cost of trading*

The CC found that the success of BATS and Chi-X may be attributed in part to their ability to offer lower trading fees and better technology than the LSE offered in 2007. This in turn led to a reduction in LSE trading fees. This opportunity might not now exist if no entrant could significantly undercut the merged entity or offer better technology. If the merged entity raised its trading fees, did not offer state-of-the-art technology or otherwise worsened its offering, then that opportunity would be likely to re-emerge.

### *Network effects as barriers to entry*

The CC found that there were network effects which posed a barrier to new entrants gaining scale: traders sought liquidity and so were attracted to where other traders were active; equally this meant that they shunned exchanges without



liquidity. However, in the CC's view, BATS' and Chi-X's customers had it in their collective power to direct sufficient trading volume to a new exchange to provide the initial support that would be necessary for its establishment and to enable it to overcome the initial hurdles such as the network effects identified.

### *Buyer power*

The CC noted that these large customers also undertake substantial trading across all platforms which gives them a strategic interest in maintaining competition in equity trading as this constrains trading fees across all venues. This means that they could obtain a benefit beyond the stand-alone financial return from an investment in a new MTF.

Each of the current successful MTFs (BATS, Chi-X and Turquoise) was established with the support of significant customers in the form of large financial institutions. The CC noted that the capital required to launch a new MTF is not large (in the context of a substantial institution, or more likely, a consortium of institutions).

## Conclusion

The CC found that the merger would not be expected to result in an SLC in the trading exchange market in the UK.

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/bats-trading-chix-europe](http://www.competition-commission.org.uk/our-work/directory-of-all-inquiries/bats-trading-chix-europe).

---

# Merger inquiry into the completed acquisition by Kerry Foods Limited of Headland Foods Limited

---

**The merger involved the two largest suppliers of frozen ready meals (FRM) to UK customers.**

**Customers have sufficient alternative providers in the UK and overseas to be able to switch away from Kerry, or threaten to do so, which would counter any danger of the merged entity raising prices substantially more than increases in cost.**

**Outcome: The merger was cleared.**

---

*Inquiry Group:*

Laura Carstensen (Chairman)

Phil Evans

Jill Hill

Professor Robin Mason

## The market

The inquiry concerned the completed acquisition by Kerry Foods Limited (Kerry) of Headland Foods Limited (Headland). They were the two largest suppliers of FRM to UK customers (typically retailers—generally supermarkets—or brand owners).

FRM are frozen main course dishes which only require heating before being ready to eat. FRM can be divided into three main types: own label (produced by FRM manufacturers for retailers and sold under the retailer's brand), own brand (produced by FRM manufacturers and sold by retailers under the manufacturer's brand name) and contract packed (produced by FRM manufacturers and sold under a third party brand name).

The CC found that the relevant market was the supply of FRM manufactured in the UK and Republic of Ireland for customers in the UK, but took into account the constraints from different product segments within this market (own-label, own-brand and contract-packed FRM); and the constraints from products not included in this market, especially chilled ready meals (CRM) and imported FRM.

## Findings

### *The counterfactual*

The CC found that, in the absence of the merger, Headland would have been likely to consolidate its production operations at its Grimsby factory and would have continued to supply the full range of FRM, in competition with Kerry, for the foreseeable future. The alternative scenario put forward by Kerry, that the restructuring plan would not have been successful and Headland would have exited the market, was less likely.

### *Competition before the merger*

The CC found that before the merger, Kerry and Headland were each other's closest competitors and at that time, customers had no significant incentive to find alternative suppliers to the merging parties. The merger reduced the number of significant competitors supplying FRM in the UK and provided customers with an incentive to seek alternative suppliers.

### *Responses to price rises and possible countervailing factors*

Following the merger, Kerry sought and, at least initially, achieved significant price increases from many of its customers.



The CC found that the merger only allowed Kerry to impose price increases on a large share of the FRM volume in the short term. The CC was able to observe that with time and effort, and in at least one case some cost, many customers were able to find alternative suppliers for products covering the range of FRM. The CC saw no reason to believe that those who had not yet switched were substantially different from those who had found alternative suppliers. Moreover, the prices customers were paying after switching were either comparable to pre-merger prices or higher only to an extent that could be explained by increases in raw materials costs.

The CC found that customers have sufficient alternative providers in the UK and overseas to be able to switch away from Kerry, or threaten to do so, such that Kerry will be constrained from imposing prices which exceed pre-merger levels by substantially more than by increases in cost. Therefore, Kerry's ability to charge higher prices as a result of the merger was unlikely to persist beyond the short term.

## Conclusion

The CC concluded that the merger did not and was not expected to result in an SLC in any market or markets in the UK for goods or services.

Full details about how the CC reached its findings and the final determination can be found on the CC website: [www.competition-commission.org.uk/our-work/directory-of-all-inquiries/kerry-foods-headland-foods.htm](http://www.competition-commission.org.uk/our-work/directory-of-all-inquiries/kerry-foods-headland-foods.htm).

---

# Merger inquiry into the completed acquisition by Stericycle, Inc of Ecowaste Southwest Limited

---

**The merger involved two providers of medical waste collection and treatment services. Entry was unlikely to constrain Stericycle and customers did not possess sufficient buyer power to constrain SRCL post-merger. Outcome: The merger would result in an SLC. Stericycle was required to sell Ecowaste Southwest.**

*Inquiry Group:*  
Roger Witcomb (Chairman)  
Roger Finbow  
Tony Stoller  
Jonathan Whitar

## The market

The inquiry concerned the completed acquisition by Stericycle, Inc through its subsidiary SRCL Limited of Ecowaste Southwest Limited. Both companies were active in the collection, treatment and disposal of healthcare risk waste (HRW), a category of waste produced in healthcare settings that requires treatment prior to disposal.

The CC concluded that there were two relevant markets. The first was the collection, treatment and disposal of HRW for small quantity generator (SQG) customers in the City of Bristol, Bath & north-east Somerset, north Somerset and south Gloucestershire (collectively, the Avonmouth Plant Area). The second was the collection, treatment and disposal of HRW for large quantity generator (LQG) customers in the Avonmouth Plant Area.

## Findings

The CC found that operators of alternative technology (AT) and high-temperature (HT) treatment plants competed with each other for both LQG and SQG customers. Collection-only companies competed for SQG customers only. Before the merger, Ecowaste Southwest and SRCL were each other's closest competitors in the Avonmouth Plant Area for both LQG and SQG customers. The closest constraint on the parties came from rival integrated collection and treatment companies.

In the absence of the merger the CC considered that Ecowaste Southwest would have been bought by another company active in the collection and treatment of HRW and continued to compete in the Avonmouth Plant Area for LQG and SQG customers.

The CC also found that the competitive constraint on SRCL post-merger from other integrated collection and treatment companies was not as strong as would have been the case had SRCL not acquired Ecowaste Southwest. The CC considered that collection-only companies would not constrain the

merged entity as much as independently-owned collection and treatment companies because they are dependent on integrated companies to treat their waste.

The CC assessed countervailing factors but considered that entry was unlikely to constrain SRCL in the Avonmouth Plant Area, and LQG and SQG customers did not possess sufficient buyer power to constrain SRCL post-merger. The CC decided the reduction in competition brought about by the merger would have an adverse impact on prices and service quality.

## Conclusion

The CC concluded that the merger has resulted in an SLC in the markets for the collection, treatment and disposal of HRW for LQG and SQG customers in the Avonmouth Plant Area.

## Remedies

The CC considered a range of potential remedies and concluded that full divestment of Ecowaste Southwest was the only effective remedy to the SLC and that this remedy was proportionate. SRCL challenged the remedy in the CAT but following a hearing in May 2012 the CAT dismissed SRCL's application.



Full details about how the CC reached its findings and the final determination can be found on the CC website: [www.competition-commission.org.uk/our-work/directory-of-all-inquiries/kerry-foods-headland-foods.htm](http://www.competition-commission.org.uk/our-work/directory-of-all-inquiries/kerry-foods-headland-foods.htm).

# Merger inquiry into the anticipated joint venture between Alpha Flight Group Limited and LSG Lufthansa Service Holding AG

The joint venture involved two of the largest suppliers of in-flight catering services in the UK.

Airlines would be able to manage an effective and competitive bidding process for their catering requirements given the availability of other suppliers in the market.

Outcome: The joint venture was cleared.

*Inquiry Group:*  
Malcolm Nicholson (Chairman)  
Roger Davis  
Ian Jones  
Stephen Oram

## The market

The inquiry concerned the anticipated joint venture (JV) between Alpha Flight Group Limited (Alpha) and LSG Lufthansa Service Holding AG (LSG).

Alpha and LSG overlap in the supply of in-flight catering services within the UK. In-flight catering services comprise a mixture of catering provision (ie the preparation, sourcing and production of meals) as well as management and logistics services (ie loading meals on to the aircraft and related services).

Traditionally, both these services have been provided by a single vertically-integrated in-flight catering services supplier, of which there are several providers in the UK including Alpha, LSG, Gate Gourmet, DO & CO and Plane Catering. A recent development in the sector has been the disintermediation of the supply chain enabling in-flight catering services suppliers to procure airline catering from a third party supplier (for example, DHL entered the market in 2010 to supply BA).

The CC found that the supply of in-flight catering services in the UK was an appropriate relevant market within which to assess the effects of the merger. The JV was assessed in respect of segments of customer demand depending on whether airlines were flying long-haul or short-haul; out of Heathrow or elsewhere; and having regard to the size of their in-flight catering requirements.

## Findings

### Airlines flying from Heathrow

The CC found that enough caterers would remain in the market post-merger for (a) airlines flying short-haul and (b) airlines with fewer than five daily long-haul departures, to ensure an effective and competitive bidding process.

The decision in respect of airlines with five or more daily long-haul departures from Heathrow was more finely balanced. Overall, the CC found that a combination of three credible suppliers (ie the merged firm, Gate Gourmet and DHL), when allied to a range of factors conferring a degree of buyer power on customers, meant that the JV was unlikely to give rise to an SLC in relation to this segment.



The CC found that BA's existing supply arrangements at Heathrow would be unaffected by the JV and that there would be a large number of credible and competitive bidders regardless of the merger.

### Airlines flying from other UK airports

The CC considered that airlines flying from other UK airports fell into three segments: large low-cost and charter/leisure airlines requiring a 'network' catering solution; airlines flying short-haul; and airlines flying long-haul. The CC found that, generally, barriers to entry were low for supply to 'network' airlines and for airlines flying short-haul. Overall, the CC was satisfied that post-merger there would be a number of options available to airlines to procure competitive outcomes.

## Conclusion

The CC concluded that the JV may not be expected to result in an SLC in the market for the supply of in-flight catering services in the UK.

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/alpha-flight-group-limited-lsg-lufthansa-service-holding-ag-merger-inquiry](http://www.competition-commission.org.uk/our-work/directory-of-all-inquiries/alpha-flight-group-limited-lsg-lufthansa-service-holding-ag-merger-inquiry).

# Telecommunications price control appeal: Wholesale mobile voice call termination

This was a price control appeal under the Communications Act 2003

British Telecommunications plc v Office of Communications Case 1180/3/3/11  
Everything Everywhere Limited v Office of Communications Case 1181/3/3/11  
Hutchison 3G UK Limited v Office of Communications Case 1182/3/3/11  
Vodafone Limited v Office of Communications Case 1183/3/3/11  
and Telefónica UK Limited

## Appeal Group:

Roger Witcomb (Chairman)  
Professor John Cubbin  
Roger Davis  
Richard Taylor  
Jonathan Whitticar

## Appellants:

Vodafone  
Everything Everywhere (EE)  
BT  
Hutchinson 3G UK Ltd (Three)

## Defendant:

Ofcom

## Interveners:

Telefónica

Vodafone and EE each intervened in support of the other's appeal and Telefónica intervened in support of both of those appellants. Three intervened in support of BT's appeal and BT intervened in support of the appeal made by Three. Vodafone, EE and Telefónica intervened in support of Ofcom against the appeals of BT and Three, and Three and BT each intervened in support of Ofcom against the appeals of EE and Vodafone.

- The CC was asked by the CAT to determine seven reference questions. Six concerned whether Ofcom had erred in electing a long-run incremental cost (LRIC) standard or in the calculation of the mobile voice call termination (MCT) price control and one concerned remedies of any error identified.
- The CC upheld the appeals in relation to three of the CAT's reference questions: reference question 3 (in part), finding that the calculation of the LRIC+ cost standard did contain errors; reference question 4, finding that Ofcom was incorrect to have adopted a four-year glide path instead of a three-year glide path; reference question 6, finding that costs of certain (radio equipment) assets were overstated.
- The CC found that Ofcom did not err in relation to: reference question 1, the adoption of the LRIC cost standard; reference question 2, the calculation of the LRIC cost standard; reference question 5, not adopting a one-off adjustment to the glide path in the initial period.

## The CC's role in the appeal process

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.

Everything Everywhere, Vodafone, BT and Three appealed to the CAT, under section 192 of the Communications Act 2003 (the 2003 Act), against Ofcom's MCT Statement of 15 March 2011. The MCT Statement set price controls on the wholesale supply of MCT to network operators for the years 2011/12 to 2015/16.

Under section 193 of the 2003 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.

All of the appeals raised specified price control matters. They were referred to the CC on 30 June 2011.

## The questions that the CC had to address

The first six of the CAT's reference questions asked the CC to determine whether Ofcom had erred for specific reasons advanced by the appellants:

1. Was the charge control incorrect because Ofcom erred in adopting the LRIC cost standard rather than LRIC+ as the basis for the charge controls?
2. Was the charge control incorrect because Ofcom erred in its calculation of the LRIC cost standard?
  - (a) It was alleged that there were 15 key deficiencies in the 2011 Model.
  - (b) There was a further claim that Ofcom should have corrected the alleged flaws in the 2011 Model or used a different method designed to produce a better approximation to the LRIC. This generated a further 13 areas in which it was claimed that adjustments should have been made.
3. Was the charge control incorrect because Ofcom erred in its calculation of the LRIC+ cost standard, with regard to eight specific areas?
4. Was the charge control incorrect because Ofcom erred in choosing a four-year period in which to achieve a LRIC cost standard rather than a three-year period?
5. Was the charge control incorrect because Ofcom erred in failing to make a one-off adjustment at the start of the control period?





6. Was the charge control incorrect because Ofcom erred in relying on a flawed cost model that overstated certain costs associated with certain radio equipment.

#### Areas in which the CC determined that Ofcom had not erred

*Reference question 1.* The CC did not agree with the appellants that LRIC+ (which had previously been used for the setting of MCT charge controls) was a better cost standard to that of LRIC, when viewed in light of Ofcom's statutory considerations and objectives. The CC found that Ofcom was right to say that LRIC was preferable on the grounds of competitive effects and that other considerations did not significantly favour LRIC+. The CC considered the EC Recommendation that charge controls be set by reference to a LRIC cost standard to be an important consideration. In addition, the CC did not uphold the appellants' argument that Ofcom was unable to produce robust estimates of the LRIC cost of providing an MCT service.

*Reference question 2.* The CC did not find that Ofcom's cost model contained the alleged flaws that undermined its ability to produce reliable estimates of LRIC. Nor did the CC find that Ofcom should make adjustments for the alleged flaws.

*Reference question 5.* The CC determined that Ofcom had not erred in failing to make a one-off adjustment to the rate at the start of the control to current levels calculated in accordance with the LRIC+ cost standard.

#### Areas in which the CC determined that Ofcom had erred

*Reference question 3.* EE and Vodafone alleged a number of errors in relation to the calculation of the LRIC+. The CC determined that Ofcom erred in relation to three of these allegations: by understating the proportion of data traffic that occurred at the weekend (the busy day/week split); in its

modelling of the historic data card market shares; and in its modelling of the 2G/3G mobile switching centre cost driver.

*Reference question 4.* The CC determined that as Ofcom elected to adopt a LRIC cost standard and recognised in principle that it should align prices with LRIC as quickly as it reasonably could, Ofcom did not have sufficient reasons for adopting a four-year, rather than a three-year, glide path, which would more closely align with the EC Recommendation.

*Reference question 6.* The CC determined that the evidence indicated that the unit costs assumed for certain radio equipment in the 2011 Model were overstated relative to the direct evidence on costs available and as such the CC determined that Ofcom erred in relying on a costs model that overstated these specific equipment costs.

#### Remedies

The CAT's seventh question 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 Ofcom's calculations and a revised glide path.

#### Outcome

The CAT is required by section 193(6) of the 2003 Act to decide the matter 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).

On 3 May 2012 the CAT decided that the CC's determination did not fall to be set aside under section 193(7). On 6 June 2012 the CAT granted Everything Everywhere Ltd permission to appeal against this decision in the Court of Appeal.

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

[www.competition-commission.org.uk/our-work/bt-everything-hutchison-vodafone-telecoms-appeal-mobile-call-term](http://www.competition-commission.org.uk/our-work/bt-everything-hutchison-vodafone-telecoms-appeal-mobile-call-term).

# 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, as in the BAA case, regarding possible changes of circumstances which may affect remedies.

A summary of the CC's post-inquiry activities for the financial year 2011/12 is shown in the table below.

## CC ACTIVITY AFTER PUBLICATION OF FINAL REPORT 2011/12

| <i>Investigation</i> | <i>Type of investigation</i> | <i>Type of remedy</i>   | <i>Date of publication of final report</i> | <i>Method of implementation</i>  | <i>Date on which remedy fully implemented</i> | <i>Implementation activity in 2011/12</i>  | <i>Status as at March 2012</i>  |
|----------------------|------------------------------|-------------------------|--|----------------------------------|---|--|---|
| BAA airports         | Market                       | Divestiture/behavioural | 19/3/09                                    | Undertakings and recommendations | Ongoing                                       | 1. Publication of final decision on change of circumstances and BAA appeal of decision to CAT.<br>2. Working with CAA on CC recommendation to improve consultation on capital expenditure at Heathrow.<br>3. Overseeing divestiture of Edinburgh Airport following acceptance of Final Undertakings. | BAA appeal of CAT decision<br><br>Improved protocol agreed<br><br>Edinburgh Airport divestiture process ongoing |
| Local buses          | Market                       | Behavioural             | 20/12/11                                   | Order and recommendations        | Ongoing                                       | Consultation on draft Order  | Consultation ongoing  |
| SRCL/ Ecowaste       | Merger                       | Divestiture             | 21/3/12                                    | Undertakings                     | Ongoing                                       | Drafting undertakings  | Undertakings to be agreed   |

## 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 2011 and 31 March 2012, the CC carried out seven reviews of undertakings and orders (in chronological order of completion): GrowHow's 2007 carbon dioxide supply undertakings; the Restriction on Agreements and Conduct (Specified Domestic Electrical Goods) Order 1998 and associated undertakings; the Credit Cards (Price Discrimination) Order 1990; Provident's 1982 trading checks undertakings; Arriva Southern Counties' 1995 bus undertakings; Centrica's 2003 Rough undertakings; and FirstGroup's 2004 Scottish Passenger Rail (ScotRail) franchise undertakings.

### GrowHow's 2007 carbon dioxide supply undertakings

In 2007, the CC published its report into the anticipated joint venture, GrowHow UK Limited (GrowHow), between Kemira GrowHow Oyj (Kemira) and Terra Industries Inc (Terra). The CC concluded that the joint venture might be expected to result in an SLC in a number of markets in which Kemira and Terra overlapped, one of which was the market for the supply of carbon dioxide (CO<sub>2</sub>) to distributors in the UK. To remedy the SLC in the market for the supply of CO<sub>2</sub>, the CC accepted undertakings which set out detailed commitments in relation to an existing operating and maintenance contract between Kemira and a competitor, Air Liquide UK Limited (Air Liquide), for liquefying CO<sub>2</sub> at an ammonia plant at Ince in Cheshire. This remedy was to ensure that the incentives facing GrowHow were broadly similar to those facing Terra before the merger.

Following a request from GrowHow that there had been a change of circumstances and that it should be released from those clauses of the undertakings which remained in effect, the OFT sent advice to the CC on 18 November 2009 regarding a number of changes of circumstances.

The CC found that, because GrowHow had divested one CO<sub>2</sub> liquefaction plant (at Billingham in Teesside) and closed

another (at Severnside near Bristol), GrowHow was neither able to raise ex-works prices for liquid CO<sub>2</sub> at these plants nor was it incentivised to curtail the supply of raw CO<sub>2</sub> at Ince to maximise liquid CO<sub>2</sub> sales at other plants. However, the CC found that GrowHow would still be able to threaten to terminate the Ince operating and maintenance agreement with Air Liquide in order to raise the price of raw CO<sub>2</sub> because there were insufficient alternative existing sources of liquid CO<sub>2</sub> at a price that could constrain the price of raw CO<sub>2</sub> at Ince, and a new liquefaction plant could not be built on a timely basis.

The CC therefore concluded that it was not appropriate to vary or release GrowHow from the obligations relating to the Ince operating and maintenance agreement. However, the CC decided to release GrowHow from certain confidentiality obligations because GrowHow had divested the Billingham liquefaction plant to which these related. This partial release was made on 18 May 2011.

### Credit Cards (Price Discrimination) Order 1990

In 1989, the MMC found that monopoly situations existed in the credit cards market and that, among other things, the rule commonly used by credit card providers to ensure that merchants could not surcharge customers for making credit card transactions (the so called 'No Discrimination' rule) restricted the freedom of retailers to set their own prices. The Credit Cards (Price Discrimination) Order 1990, made by the Secretary of State for Trade and Industry, prohibited credit card issuers and acquirers from requiring traders to comply with the No Discrimination rule.

On 6 September 2011, the OFT advised the CC that the coming into force of the European Union's Payment Services Directive (PSD) and its transposition into UK law by the Payment Services Regulations 2009 (PSR) in 2009 constituted a change of circumstances.

The CC found that the Order should be revoked because it was partly duplicated by and partly in conflict with the PSR. The Order was consequently revoked on 12 January 2012.

### Provident's 1982 trading checks undertakings

In 1981, the MMC found that a monopoly situation in favour of Provident Financial Group Limited (Provident) existed in the supply of trading checks financial services and trading check franchise services in the UK. In 1982, undertakings were accepted from Provident that had the effect that Provident

could no longer insist on retailers only accepting Provident's trading checks.

On 24 October 2011, the OFT advised the CC that there had been a change of circumstances in that trading checks were no longer offered by Provident and were unlikely to be reintroduced. The CC consequently released Provident from these undertakings on 12 January 2012.

### **Arriva Southern Counties' 1995 bus undertakings**

In 1993, the MMC found that a scale monopoly situation in favour of The Maidstone & District Motor Services Ltd (now Arriva Southern Counties) existed in the supply of bus services in Mid and West Kent. Following this report undertakings were accepted in 1995 which gave competitors improved and fairer access to bus stands at Pentagon Bus Station in Chatham.

On 8 December 2011, the OFT advised the CC that there had been a change of circumstances in that the Chatham Waterfront Bus Station now serves Chatham instead of the Pentagon Bus Station. The CC concluded that Arriva Southern Counties no longer has any responsibility for managing access to the bus station which serves Chatham or for the allocation of bus stands. It therefore released Arriva Southern Counties from the undertakings on 31 January 2012.

### **Domestic Electrical Goods Order 1998**

In 1997, the MMC published two reports on its investigation into the supply of certain domestic electrical goods (DEGs)—one report on 'white' goods of washing machines, tumble driers, dishwashers and cold food storage equipment; and another on 'brown' goods of televisions, video cassette recorders (VCRs), hi-fi systems and camcorders. The MMC found that the following actions operated or may have been expected to operate against the public interest: (a) the setting of recommended retail prices (RRPs) and other steps taken by suppliers to influence the prices at which dealers resold DEGs; and (b) the withholding of supply of DEGs.

Following recommendations made by the MMC, the Secretary of State for Trade and Industry made the Restriction on Agreements and Conduct (Specified Domestic Electrical Goods) Order 1998 and accepted associated undertakings from a number of retailers and suppliers. The Order and associated undertakings required, among other things, that: (a) suppliers should not recommend resale prices to dealers or make agreements with dealers which restrict directly

or indirectly dealers' determination of the prices at which they advertise or sell the goods; and (b) suppliers must not withhold or threaten to withhold from dealers supplies of the goods except for certain permitted reasons.

On 24 June 2011, the OFT advised the CC that there had been numerous changes of circumstances which meant that the remedies were now no longer appropriate.

The CC identified a number of significant changes in the DEGs market. At the retail level, the market had become more competitive due to significant entry and expansion from a wide range of sources including department stores, multiple grocers and online-only retailers. Consumers were now also conducting significant search activity, particularly through the use of price comparison websites and online review websites. At the supply level, significant new/expanded suppliers of both brown and white goods had emerged (including Samsung, LG, Beko and retailers' own labels). Some brown goods to which the Order applied (for example, VCRs) had also become largely obsolete.

The CC also found that there had been material changes in the legal framework with the implementation of the Competition Act 1998 (replacing the Resale Prices Act 1976) and the adoption of the EU Vertical Agreement Block Exemption Regulation and the Guidelines on Vertical Restraints.

As a result of these changes of circumstances, the CC found that RRP, if they were to re-emerge, would be unlikely to have adverse effects, and practices used alongside RRP to maintain retail prices were not likely to re-emerge. To the extent that any individual suppliers were to try to engage in practices amounting to resale price maintenance, the Competition Act 1998 provided an effective mechanism to deal with them. The CC also found that greater competition at both the supply and retail levels was likely to reduce the likelihood of suppliers being able to use effectively anti-competitive selective distribution criteria or the specific contractual practices identified in the 1997 reports.

The CC consequently revoked the Order and released parties from the associated undertakings on 1 February 2012.

### **Centrica's 2003 Rough undertakings**

In 2003, the CC found that the completed acquisition by Centrica plc (Centrica) from Dynegy Inc (Dynegy) of two companies that owned and operated the Rough gas storage

facility and associated assets may be expected to operate against the public interest. Rough is a gas field in the North Sea used principally to store gas in the summer and deliver it in winter when the gas is needed to help meet higher demand. Rough provides the majority of Great Britain's gas storage for the winter. Undertakings were accepted to prevent Centrica from using its ownership of Rough to discriminate between customers in giving access to Rough capacity and from using its operation of Rough to disadvantage other market participants in a number of other ways.

In April 2010, Centrica applied to the OFT to have the undertakings reviewed, on the basis that changes in market conditions, particularly the availability of new sources of gas supply that could perform a similar function to Rough, meant that the undertakings were no longer necessary. Centrica also stated that the introduction of the European Union Third Energy Market Package of legislation on the operation of the internal gas market would introduce elements that were incompatible with the undertakings and introduce new general safeguards that removed the need for the undertakings.

On 8 September 2010, the OFT provided advice to the CC that there had been a change of circumstances that warranted a review of the undertakings by the CC.

The CC found that, although there had been significant changes in the pattern of gas supplies to Great Britain, Rough still had market power in the supply of flexible gas (gas supplies where the amount supplied is able to vary in response to changes in gas demand) and Centrica continued to have a strong position in the retail supply of gas in Great Britain. The CC also concluded that the new EU legislation affecting gas storage did not remove the need for the detailed and specific protections of the undertakings. However, the CC did consider it necessary to vary the mechanism restricting Centrica's access to Rough to align the undertakings more closely with EU legislation.

Varied undertakings were accepted on 5 March 2012. The varied undertakings maintain restrictions on Centrica but make alterations to limits on the amount of Rough capacity that Centrica's wider group would be able to purchase from Centrica Storage Ltd as well as varying other restrictions.

### **FirstGroup's 2004 ScotRail undertakings**

In 2004, the CC found that the proposed acquisition by FirstGroup plc (FirstGroup) of the Scottish Passenger Rail franchise (ScotRail) would lead to an SLC on certain routes. The CC accepted from FirstGroup undertakings which restrict FirstGroup from altering the service level and fares on a number of local bus services which it operates in and around Edinburgh and Glasgow.

On 15 September 2011, FirstGroup submitted an application to the OFT for a further variation to the undertakings it gave in 2004. FirstGroup submitted that the closure of Princes Street in Edinburgh due to the tramway construction works was beyond its control and meant that it could not comply fully with the undertakings. It sought a degree of flexibility within the application of the undertakings for the duration of the closure of Princes Street. On 19 January 2012, the OFT provided advice to the CC that there had been a change of circumstances.

The CC found that the difficulties that FirstGroup had experienced in trying to continue to comply with the undertakings in the face of significant roadworks in Princes Street had been an unintended consequence of the undertakings. The CC concluded that the change of circumstances caused by this unintended consequence was sufficient for the Undertakings to be varied, to give FirstGroup and the OFT the ability to agree pragmatic solutions to managing interruptions which are outside FirstGroup's control. The undertakings were varied on 23 April 2012.

## WORKSTREAMS

30–37

For 2011/12 the CC had six key objectives, which were intended to improve the overall quality and coordination of its work. Each objective was led by a Senior Management Team (SMT) leader, who ensured that they were achieved in consultation with the SMT, 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 & Business Adviser & 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 Director of Corporate Services)

# Objective 1: Make the right decisions in market investigations, merger inquiries and regulatory appeals

MIGUEL DE LA MANO, *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 two main areas this year:

*Developing and publishing guidance*

*Evaluating past decisions*

## Developing and publishing guidance

- The CC received responses to its consultation on an early revision of its market investigation guidelines (which included a well-developed section on remedies). A complete draft of the guidelines was published for further consultation in June 2012, including a substantial revision of the section discussing the competitive assessment.
- The CC developed internal practice notes on particular topics for inclusion in the Regulatory Toolkit.
- 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 past decisions

- The CC continued to review the results of the ex post evaluation research on past mergers ensuring that appropriate lessons are learned. In September 2011 the CC published a report by Lear on ex post evaluations of two mergers—the merger between GAME and Gamestation and the merger between Waterstone's and Ottakar's.<sup>1</sup>

---

1. The decisions related to the two mergers can be found on the CC's website. For the GAME/Gamestation merger the decision was adopted on 16.01.08, see [www.competition-commission.org.uk/our-work/directory-of-all-inquiries/game-group-plc-game-station-limited](http://www.competition-commission.org.uk/our-work/directory-of-all-inquiries/game-group-plc-game-station-limited); for the Waterstone's/Ottakar's merger the decision was adopted on 12.05.06, see [www.competition-commission.org.uk/our-work/directory-of-all-inquiries/hmv-group-plc-waterstones-plc-ottakars-plc.htm](http://www.competition-commission.org.uk/our-work/directory-of-all-inquiries/hmv-group-plc-waterstones-plc-ottakars-plc.htm). The Lear report is also on the CC's website at [www.competition-commission.org.uk/assets/competitioncommission/docs/2011/11\\_09\\_20\\_ex\\_post\\_evaluation\\_of\\_two\\_merger\\_decisions.pdf](http://www.competition-commission.org.uk/assets/competitioncommission/docs/2011/11_09_20_ex_post_evaluation_of_two_merger_decisions.pdf)

# Objective 2: Take the right remedial action and implement effective and proportionate remedies

DAVID ROBERTS, *Chief Financial & Business Adviser & 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 three main areas this year:

*Improving process and guidance on remedies*

*Evaluating remedies outcomes and sharing best practice*

*Improving effectiveness of remedies implementation and reviews of undertakings and orders.*

## Improving process and guidance

- The CC published draft guidance for consultation on market remedies as part of proposed Market Investigation Guidelines in April 2011. Consultation responses have been given effect in the comprehensive draft of the new guidelines that are due to be published for full consultation by June 2012.
- An improved process for developing possible remedies was implemented on two major market inquiries during the year.

## Evaluation and sharing of best practice

- The CC continued its rolling programme of evaluating remedies on past cases by conducting appraisals on three merger cases and initiating analysis on a market inquiry (Home credit). The results of these evaluations will be published in the first half of the new financial year. 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 on remedies issues and methods to several national competition authorities and the OECD.

## Remedies implementation and reviews of undertakings/orders

- The CC carried out seven reviews of undertakings and orders in the year (see pages 26 to 28) including the substantial review of Centrica's 2003 undertakings governing the Rough national gas storage facility. These reviews implemented the more transparent and efficient approach to these exercises set out in the revised Memorandum of Understanding agreed with the OFT in 2010/11.
- As part of the Government's planned reform of the UK competition regime, the CC has proposed time limits for implementing remedies and for carrying out reviews of undertakings and orders. These proposals should improve the timeliness of these processes and have been adopted in prospective legislation.



# Objective 3: Conduct fair and transparent processes

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*

*Improving procedures and practices in the light of lessons learned 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:
  - Consulting on draft merger procedural guidelines and an outline of our procedures on market investigations. We also began the process of updating our disclosure guidelines, building on the experience that we have gained during the year on addressing particular disclosure issues.
  - Publishing guidance on price control appeals under the Communications Act in April 2011 (CCI3). This was applied in the Mobile Call Termination Appeal.
  - Consulting on draft rules for handling appeals to the CC under the new appeal regimes inserted in the Gas Act 1986 and the Electricity Act 1993 during 2012 and the Postal Services Act 2012. We expect to publish the resulting rules during 2012.

## Improving procedures and practices

- We continued to keep under review the application of CC guidance and rules to ongoing inquiries as part of (a) regular quarterly reviews of case progress and (b) internal and (where appropriate) external forensic review during inquiries.

- We also continued to carry out lessons learned reviews following inquiries. These have included reviewing member and staff feedback from Ratcliff Palfinger/Ross & Bonnyman, Stena/DFDS, STS/Butlers, Thomas Cook/Co-op/Midland, BATS/Chi-X and Kerry/Headland inquiries and the Kemira/Terra and Centrica/Rough remedy reviews. We also carried out interim internal reviews of lessons learned from the Local bus services and Movies on pay TV market investigations that may be relevant to possible new market investigations over the next year. Lessons learned are regularly fed back to members and staff.
- Areas we have particularly looked at in the light of these reviews have included finding ways of operating lighter touch process in small merger inquiries, improving our ability to handle electronic evidence, our use of data rooms and handling of requests for the disclosure of survey data in merger and market inquiries.
- We have continued to run an internal training programme to ensure that our policies and procedures are understood and disseminated among members and staff. Developments this year included:
  - The launch of an electronic training tool to help members and staff to understand our policies on handling conflicts of interest.
  - Training events (some conducted jointly with the OFT) to increase staff understanding of the merger process as contained in draft new guidelines, the internal process of the OFT when considering mergers, handling appeals, new procedures in regulatory appeals and understanding how a hypothetical merger should be handled from coming to regulatory attention through to remedial action.

# Objective 4: Ensure no undue burden on business or taxpayers

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.<sup>1</sup> 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*

*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 and 22 weeks to publish our final reports. Two of these inquiries were extended, although the extension was only, in practice, used in one case. Three mergers referred to the CC during the year were subsequently cancelled. Four mergers were referred during 2011/12 and are continuing into 2012/13.
- Streamlined procedures were piloted on the Local bus services and Movies on pay TV market investigations. Provisional findings for both were published in the first half of 2011/12. Lessons learned, particularly with respect to the formulation of the analytical framework and the setting of timetables, have been reflected in framing our work on the new market investigations referred in the second half of 2011/12.
- During 2011/12, the CC received two Communications Act appeals. We applied the revised procedures which were published in CC13 in April 2011. We will assess their effectiveness once both appeals have been completed in 2012.

## 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 getting greater clarity in analytical frameworks for our market investigations. We have also ensured that, on small merger inquiries, we apply as light a touch as possible, in particular taking care to sequence our analytical work such that we only undertake it if it is necessary to do so.

- Following an internal audit review of inquiry budgeting carried out during 2011/12, regular inquiry progress meetings have increased their focus on variance against budget.

## Review burden on business

- We have improved communication and coordination between the CC and the OFT on both merger and market inquiries. We had previously made significant progress on improving the efficiency of the handover process in mergers. During 2011/12 we had meetings with each relevant OFT market study team where there was a likelihood that the market study would result in a market investigation reference, to allow us to understand the issues, the analysis that had already taken place and the likely sources of data.
- We have also revised our internal practices to ensure that we tailor our information requests and analysis appropriately on mergers, particularly in the cases where the businesses involved are small, recognising the need to minimise, as far as possible, the burden on business.

---

1. For more information see [www.competition-commission.org.uk/assets/competitioncommission/docs/2012/analysis/120116\\_report\\_main\\_2011\\_stakeholder.pdf](http://www.competition-commission.org.uk/assets/competitioncommission/docs/2012/analysis/120116_report_main_2011_stakeholder.pdf).

# Objective 5a: Ensure positive engagement with CC stakeholders and external representation of the CC

JOHN KIRKPATRICK, *Director of Policy*

---

To ensure that the CC pursues a structured and strategic approach to communication with its stakeholders.

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 that external stakeholders including the Government understand and are influenced by the CC's views on the proposed changes*

*Ensuring that members of staff are informed and have the opportunity to contribute views*

## Engaging with external stakeholders

- The Government published its consultation paper *A competition regime for growth* on changes to the competition regime on 16 March 2011. The CC has engaged constructively in the debate on the Government's proposals. It has contributed to public debates including at conferences organised by the Law Society and the International Chamber of Commerce. It has also held private meetings with stakeholders including the CBI, the Competition Law Association and the Joint Working Party of the Bars and Law Societies of the UK and as part of its ongoing series of discussions with the legal and economic advisers who regularly advise parties. The CC published its response to the consultation in June 2011.
- The CC has supported the Government through the process of consultation and decision making. It has provided information, analysis and views based on its experience of the current regime. During 2011/12 it conducted extensive discussions with Ministers and officials from BIS, the Treasury and other parts of Government. Sometimes in collaboration with the OFT, it has facilitated and supported their discussions with stakeholders on issues including reform of the merger control regime and panel decision making. It has contributed data for policy analysis, for due diligence on the two authorities and for preparation of an impact assessment of the reform, and has commented

on drafts of government documents, and early drafts of legislation. It has also contributed to the development of proposals for transition management and has begun a programme of joint work with the OFT in anticipation of the proposed merger.

- The CC has been keen to ensure that the key elements of the way it operates are fully understood by policymakers, the advantages recognised and opportunities for improvement through the reform process identified. On 15 March 2012 the Government published its response to the consultation, confirming that it intends to proceed with the proposed merger of the competition authorities and other reforms to the competition regime. The Government's proposals seek to retain many of the valued features of the CC's current approach.

## Engaging with internal stakeholders

- The CC has ensured that staff and members were clearly informed of developments and had an opportunity to contribute to the CC'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.
  - A series of workshops enabled staff to contribute views as part of the preparation of the CC's consultation response. A members' seminar provided the same opportunity for members. Our response to the proposals for reform of the antitrust arrangements drew on discussions with members and staff with direct experience of the current regime.
  - Chief executive briefings, team meetings and the electronic weekly bulletin and members' newsletter have been used to keep staff and members informed.

# Objective 5b: Influence the development of international competition policy and implementation and learn from international best practice

CAROLE BEGENT, *Deputy Chief Legal Adviser & 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*

*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 2011/12 included mergers and remedies, excess pricing and evaluation of merger decisions. 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 ICN, in particular the Merger Working Group (the CC chaired a workstream intended to increase awareness of the Merger Working Group products).
- 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. The CC and OFT played an active role in the discussion of the Best Practices on Co-operation (adopted 8 November 2011). Additionally, along with other co-chairs (Austrian Competition Authority and DG Comp), the CC and the OFT have developed the programme of work for the year 2011/12 within the group.

## 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. Between April and September, the CC has responded to 33 requests for assistance which have been met through conference calls, hosting visits and one overseas trip (paid for by the authority seeking assistance). Additionally the CC has reviewed the revised merger guidelines of two authorities and provided feedback.

## People

- Within the CC, awareness of international best practice, particularly in relation to Cooperation, has been increased through presentations. In particular the Best Practices, Recommendations and Recommended Practices of the EU Merger Working Group, OECD and ICN have been drawn to the attention of staff. The CC hosted a training session based on a hypothetical merger (materials provided by the ICN Merger Working Group), open to staff from the CC and the OFT.
- 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 efficient and effective services and support mechanisms are in place

REBECCA LAWRENCE, *Director of Corporate Services*

---

## Accreditation

- The CC continues to work on improving its Disaster Recovery/Business Continuity Plan (BCP) 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 Services 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 2012/13.

## 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 Governance Group, its Partner Engagement Group and the Corporate Services CEO network.
- 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. Work this year has included piloting the HM Treasury Managing Risk of Financial Loss toolkit with other BIS partners and working with BIS to develop the

governance of its arm's length delivery partners. Internally it has included:

- Redrafting the CC's security policies to reflect Cabinet Office Security Policy Framework v7.
- Developing a full Risk Management and Accreditation Documentation Set for all the CC's ICT systems.
- The revision of the CC's business continuity plan and publication of a business continuity staff guide which includes guidance about the CC response to an event which invokes the BCP, and about the emergency procedures.
- Additional online security training is being developed for staff.
- BIS Internal Audit Service has audited how the CC handles personal data (amber/green) and work is under way to take forward recommendations put forward to CC management.
- An enhanced governance section is on the CC's website.

## 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:

**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.**

---

- The CC continues to provide a range of corporate services to its tenants in Victoria House.
- Potentially developing shared services in partnership with the OFT.
- Attending OFT EDM and ICT projects meetings to share knowledge and experiences.

#### 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 is optimistic that all of its current vacant space will be fully occupied by December 2012.

#### 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.
- 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 launched its new website in February 2012.

- A new secure remote access solution for CC staff and members is currently being tested.

#### People

- The CC continues to develop its staff and member skills by:
  - creating and running a joint ICN hypothetical merger case study for CC and OFT staff; and
  - continuing to provide a range of professional development opportunities open to all staff, particularly those without a formal professional qualification.
- Additional work includes:
  - working with the CC's Staff Council on staff engagement;
  - reviewing the likely impact of the 2012 Olympics on CC staff and its work; and
  - improving internal communications.

## ACCOUNTS

**39-79**

|  |    |  |    |
|--|----|--|----|
| Council report   | 39 | Governance Statement   | 50 |
| Management commentary  | 42 | The Certificate and Report of the Comptroller<br>and Auditor General to the Houses of Parliament | 58 |
| Remuneration report  | 46 | Financial statements   | 59 |
| Statement of the CC's and the<br>Accounting Officer's responsibilities | 49 | Notes to the financial statements  | 63 |

# 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 an independent 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 2012 the membership comprised the Chairman, three Deputy Chairmen, two 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 2011 TO MARCH 2012

|                         |    |
|-------------------------|----|
| Chairman                | 1  |
| Deputy Chairmen         | 3  |
| Non-executives          | 2  |
| 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 80 to 84.

Remuneration details of the Council members are disclosed in the Remuneration Report on page 46.

## 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](http://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 subtenants occupying space at Victoria House.

Revenue grant-in-aid received was £16,736,000 (2010/11: £16,320,000). Capital grant received was £301,000 (2010/11: £566,000).

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 2011/12 the overall deficit for the year of expenditure over income after interest and taxation was £17,184,000 (2010/11 deficit: £17,770,000). Operating expenditure was £21,391,000 (2010/11: £21,740,000).

## 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.

Table 5 shows a three-year summary in DEL format including the forecast for 2012/13:



# Council report *(continued)*

**TABLE 5** CC'S THREE-YEAR EXPENDITURE AND FORECAST

|                                | 2010/11 | 2011/12 | 2012/13  |
|--------------------------------|---------|---------|----------|
|                                | Actual  | Actual  | Forecast |
|                                | £'000   | £'000   | £'000    |
| Payroll costs                  | 9,637   | 9,956   | 10,506   |
| Accommodation costs (net)      | 5,131   | 4,448   | 5,395    |
| Other costs less sundry income | 3,002   | 2,780   | 3,199    |
| Revenue DEL                    | 17,770  | 17,184  | 19,100   |
| Capital expenditure            | 566     | 301     | 300      |

**TABLE 6** NET EXPENDITURE ACCOUNT

|   | 2011/12 |
|---|---------|
|   | Actual  |
|   | £'000   |
| Revenue DEL                                       | 17,184  |
| Add:  |         |
| Income receivable                                 | 4,204   |
| Interest receivable                               | 4       |
| Deduct:   |         |
| Corporation Tax                                   | (1)     |
| Operating expenditure per Net Expenditure account | 21,391  |

Table 6 reconciles the revenue DEL format for 2011/12 with the total operating expenditure of £21,391,000 shown in the Net Expenditure account:

The final budget set by BIS for 2011/12 was £18,161,000 (2010/11: £18,802,000), made up of revenue expenditure of £17,861,000 and capital expenditure of £300,000. The CC spent £17,485,000 made up of revenue expenditure of £17,184,000 and capital expenditure of £301,000 resulting in an overall underspend of £676,000 (3.7 per cent). The BIS budget allocation for 2012/13 is £17,442,000 made up of revenue expenditure of £17,142,000 and capital expenditure of £300,000. As shown in Table 5 the CC is forecasting an overspend of £1,958,000 and before the budget was allocated BIS was informed of the forecast overspend.

## 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 85 per cent of relevant invoices were settled within five days (2010/11: 75 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 2012 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  
26 June 2012

# 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 CAT. Other regulators may make licence modification referrals or price control references intermittently.

## 2. THE CC'S EMPLOYEES

The CC had 126 employees at the end of March 2012 (125 at end of March 2011<sup>1</sup>). Staff turnover for the year was 10.63 per cent excluding retirees and fixed-term appointees. This compares with the CIPD 2011 resourcing and talent planning survey which reported the overall employee turnover rate for the UK to be 16 per cent.

47 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 1.1 days per employee per year; this is significantly below the reported level of civil service sick leave which was at 8 days at December 2011. According to the civil service figures 42 per cent of all civil service staff took no sick leave in the same period, whereas 53 per cent of CC staff took no sick leave. The CC supports staff working flexibly to help with their work life balance and caring responsibilities and 10 per cent of staff have formal part-time working patterns—31 per cent of these are men. The CC recruited 30 new staff up to 31 March 2012—of these, 33 per cent were women.

## 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 Corporate Plan 2012/13 was published on the CC website ([www.competition-commission.org.uk](http://www.competition-commission.org.uk)) on 26 April 2012. 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 aims to introduce legislation to give effect to its reforms in spring 2012 and 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 will continue to work closely with the Government and the OFT on the framing of the legislation, the design of the new regime and on ensuring a smooth transition.

For 2012/13 the CC has six 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; and
- support the organization by ensuring that efficient and effective services and support mechanisms are in place.

#### **6. SIGNIFICANT FEATURES OF THE DEVELOPMENT AND PERFORMANCE OF THE ORGANISATION IN THE FINANCIAL YEAR**

During 2011/12 there were 9 inquiries brought forward from the previous financial year and 20 new inquiries. Of these, 14 were completed, 3 were cancelled, and 12 carried forward to the next financial year. Of the 20 new inquiries received in 2011/12, 10 were merger inquiries, 2 were market investigations, 5 were reviews of undertakings, 1 was an energy appeal and 2 were appeals under the Communications Act. 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 £17.1 million for 2012/13, reduced from £18.3 million in 2010/11 and £17.8 million in 2011/12. This budget allocation is likely to cause some problems for the CC, partly because of a significant increase in its workload in 2011/12 and a further expected increase in 2012/13, and partly because of additional property costs due to a large increase in rates and the CC struggling to find tenants for its vacant space. The CC is currently forecasting an overspend of £2 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. BIS also recognises that the CC currently has a high workload which looks likely to continue throughout the financial year. BIS has agreed to work closely with the CC and to keep under constant review its staffing requirements so that it is able to deal with its workload and meet its statutory obligations. BIS accepts that this (together with some accommodation-related cost pressures) will mean that the CC is likely to overspend its original 2012/13 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 previously, BIS is moving forward with proposals to merge the CC and the OFT to form a single competition authority 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 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 possibility of structural change 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 too early to predict 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 and the OFT to ensure that the transition arrangements are fit for purpose,

and already has joint initiatives underway with the OFT in preparation for the merger including shared staff training and knowledge sharing and working jointly on 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 2011/12. These are more fully recorded in the Governance Statement (pages 50 to 57), specifically under the capacity to handle risk and the risk and control structure. During 2011/12 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 £6,702,000 at 31 March 2012. 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.

- .....
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 2011/12                             | 10             | 2              | 0                | 5                             | 1                    | 2                                      | 0                               | 20           |
| Inquiries brought forward from 2010/11            | 4              | 3              | 0                | 2                             | 0                    | 0                                      | 0                               | 9            |
| Deduct inquiries cancelled                        | 3              | 0              | 0                | 0                             | 0                    | 0                                      | 0                               | 3            |
| Deduct inquiries carried forward at 31 March 2012 | 4              | 4              | 0                | 1                             | 1                    | 2                                      | 0                               | 12           |
| Inquiries completed in 2011/12                    | 7              | 1              | 0                | 6                             | 0                    | 0                                      | 0                               | 14           |



David Saunders  
Chief Executive and Secretary  
Accounting Officer  
26 June 2012

# 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 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.

The terms of office of the Chairman, Peter Freeman, two Deputy Chairmen, Mrs Laura Carstensen and Dr Peter Davis, and a non-executive member, Dame Patricia Hodgson, came to an end in 2011.

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 2011/12 of £12,500 which is included in the salary costs.

Salary payments shown in Table 9 for Mr Grey Denham, Dame Patricia Hodgson and Ms Lesley Watkins relate to fees paid.

The salary payments for three new Deputy Chairmen are for the following periods: Mr Martin Cave the period 2 January to 31 March 2012; his full year salary is £102,640 a year, Mr Simon Polito the period 9 January to 31 March; his full year salary is £127,582 a year and Mr Alasdair Smith the period 10 January to 31 March; his full year salary is £127,582 a year. The salaries for Mr Simon Polito and Mr Alasdair Smith include payment in lieu of pension as they have both opted not to join the CC's pensioned by analogy to the Principal Civil Service Pension Scheme (PCSPS).

The salary of the most-highly paid Director in the CC in the financial year 2011/12 was £152,500. This was 3.1 times the median salary of the workforce, which was £48,604.

TABLE 8 COUNCIL MEMBER APPOINTMENTS

|   | <i>Date appointed</i> | <i>Date appointment ends</i> |
|---|-----------------------|------------------------------|
| Mr Roger Witcomb (Chairman)*                | 7 May 2011            | 6 May 2013                   |
| Mr Peter Freeman (Chairman)                 | 1 January 2006        | 6 May 2011                   |
| 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               |
| Mrs Laura Carstensen (Deputy Chairman)      | 1 February 2010       | 31 December 2011             |
| Dr Peter Davis (Deputy Chairman)            | 18 September 2006     | 31 August 2011               |
| Mr Grey Denham (non-executive)*             | 1 September 2009      | 31 August 2013               |
| Dame Patricia Hodgson (non-executive)       | 1 January 2004        | 31 December 2011             |
| 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 2012.

In 2011/12, (2010/11: none) no employees received remuneration in excess of the highest-paid director. Remuneration ranged from £18,000 to £140,000 (2010/11: £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.

As at 31 March 2012 David Saunders had £777 of employee benefits which relates to untaken leave.

#### 4. PENSION DETAILS OF COUNCIL MEMBERS

Mr Peter Freeman and Dr Peter Davis were pensioned by analogy to the PCSPS, gaining benefits commensurate with their 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. Mrs Laura Carstensen had a private pension scheme that the CC made monthly contributions towards based on a percentage of her annual salary, in line with the percentages paid on behalf of staff to the PCSPS scheme. 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 Mr Grey Denham, Dame Patricia Hodgson 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 do not hold membership of the PCSPS (Earnings Cap) Scheme or accelerated accrual arrangements.

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

#### CASH EQUIVALENT TRANSFER VALUES:

A Cash Equivalent Transfer Value (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

TABLE 9 REMUNERATION OF COUNCIL MEMBERS

|  | Salary  | Pension contributions | Taxable expenses | 2011/12 Total | 2010/11 Total |
|--|---------|-----------------------|------------------|---------------|---------------|
| Mr Roger Witcomb (Chairman)                | 138,535 |                       | 2,067            | 140,602       | 25,125        |
| Mr Peter Freeman (Chairman)                | 18,133  |                       | 105              | 18,238        | 173,673       |
| Professor Martin Cave (Deputy Chairman)    | 25,384  |                       | 170              | 25,554        | 0             |
| Mr Simon Polito (Deputy Chairman)          | 29,152  |                       | 735              | 29,887        | 0             |
| Professor Alasdair Smith (Deputy Chairman) | 28,809  |                       | 181              | 28,990        | 0             |
| Mrs Laura Carstensen (Deputy Chairman)     | 81,659  | 18,021                | 8,041            | 107,721       | 135,118       |
| Dr Peter Davis (Deputy Chairman)           | 53,457  |                       |                  | 53,457        | 128,296       |
| Mr Grey Denham (non-executive)             | 5,950   |                       |                  | 5,950         | 6,700         |
| Dame Patricia Hodgson (non-executive)      | 4,550   |                       |                  | 4,550         | 3,850         |
| Ms Lesley Watkins (non-executive)          | 5,600   |                       |                  | 5,600         | 5,950         |
| Mr David Saunders (Chief Executive)        | 152,500 | 30,035                |                  | 182,535       | 170,035       |



# Remuneration report *(continued)*

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.

The figures in column 5 at the start of period CETV for 2011/12 are slightly different from the final period CETV 2010/11 shown in the accounts for 2010/11 due to certain factors being incorrect in last year's CETV calculator.

## 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  
26 June 2012

**TABLE 10** CETV

|                   | Column 1<br>Real increase in<br>pension<br>£'000 | Column 2<br>Real increase in<br>lump sum<br>£'000 | Column 3<br>Pension at<br>31/03/12<br>£'000 | Column 4<br>Lump sum at<br>31/03/12<br>£'000 |
|-------------------|--|---|---|--|
| Mr Peter Freeman  | 0–2.5  | N/A   | 15–20                                       | N/A  |
| Dr Peter Davis    | 0–2.5  | N/A   | 10–15                                       | N/A  |
| Mr David Saunders | 0–2.5  | 0–5   | 55–60                                       | 176  |

**TABLE 11** CETV (CONTINUED)

|                   | Column 5<br>CETV at 31/03/11<br>(nearest £'000) | Column 6<br>CETV at 31/03/12<br>(nearest £'000) | Column 7<br>Employee<br>contributions and<br>transfers-in<br>£'000 | Column 8<br>Real increase<br>in CETV after<br>adjustment for<br>inflation and<br>changes in market<br>investment<br>factors<br>(nearest £'000) |
|-------------------|---|---|--|--|
| Mr Peter Freeman  | 295   | 313   | 0–0.5  | 17   |
| Dr Peter Davis    | 104   | 123   | 1.5–2  | 8  |
| Mr David Saunders | 1,203   | 1,278   | 1.5–2  | 0  |

# 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:

- 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;
- make judgements and estimates on a reasonable basis;
- 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

- 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 to 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, 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.<sup>1</sup> 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 2012 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 two non-executive directors. 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 on openness and responsiveness.

The Council is supported by a Remuneration Committee and Audit Committee both of which are chaired by non-executive directors.

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 and P), which have the following roles

- AG oversees the CC's role in analysing the effects on competition of mergers in merger references, and features in markets during market investigations.

- FRG oversees the CC's role in analysing issues in references relating to regulated sectors under the relevant regulatory statutes.
- RSG oversees the CC's role in 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.
- P and P oversees the CC's 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.

### **SENIOR MANAGEMENT TEAM**

The 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), 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;

# Governance Statement *(continued)*

- 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.

In 2010/11 the CC carried out a review of its committee structure. A new framework agreement and financial memorandum were agreed with BIS. Terms of Reference for Council, Audit Committee and Remuneration Committee were updated and revised (the approach used was also cascaded throughout the organisation to all groups, committees and boards).

A new code of practice was introduced for Council members (alongside that in place for reporting and specialist panel members) as well as role specifications for key governance roles. Additionally an organogram explaining the CC's governance structure was developed.

The CC also introduced a revised conflicts of interest policy supported by improved procedures. The outcome of this change has been audited by the CC's Internal Audit Service and assessed as providing a strong environment of control.

## **COUNCIL PERFORMANCE**

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

In 2011/12 its focus has been on risk management, budgetary control, the implications of possible institutional reform and merger with the OFT including in relation to staff training and welfare, and changes in policy that might 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. The Council, however, agreed to implement the recommendations of the Woods-Scawen review into management of conflicts of interest within the CC and they have subsequently been taken forward and implemented.

During the last 12 months the CC has had a new Chairman and three new Deputy Chairmen, and two Deputy Chairmen and one non-executive director have retired or stepped down. The Council has continued to function effectively during this period of change, in part due to effective induction and support but also thanks to phased departures and handovers and ongoing support from the CC's Chief Executive and two remaining non-executive directors. Given the number of new Council members in post the CC has decided not to formally assess the performance of the CC's Council (this exercise was last carried out in 2010/11) in 2011/12. We do, however, propose to undertake this exercise 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; all CC Council members attended each of the meetings with the exception of two members who missed one meeting each. See Table 12.

During the year the Council has had four 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.

## **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 information technology risks recorded in the CC's risk register.

The nature and impact of the CC's work leads the CC to be necessarily risk averse in its policies and procedures. The CC therefore 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).

**TABLE 12 COUNCIL ATTENDANCE**

| <i>Board member</i>   | <i>Council</i> | <i>Audit Committee</i> | <i>Remuneration Committee</i> |
|---|----------------|------------------------|-------------------------------|
| Mr Roger Witcomb<br>(Chairman)  | 7              | *                      |                               |
| Professor Martin Cave<br>(Deputy Chairman)<br>Appointed 2/1/12          | 2              | *                      | *                             |
| Mr Simon Polito<br>(Deputy Chairman)<br>Appointed 9/1/12                | 2              | *                      | *                             |
| Professor Alasdair Smith<br>(Deputy Chairman)<br>Appointed 10/1/12      |                | *                      | *                             |
| Mrs Laura Carstensen<br>(Deputy Chairman)<br>Appointment ended 31/12/12 | 4              | *                      |                               |
| Dr Peter Davis<br>(Deputy Chairman)<br>Appointment ended 31/8/11        | 2              | *                      | *                             |
| Mr Grey Denham<br>(non-executive)                                       | 7              | 4                      |                               |
| Dame Patricia Hodgson<br>(non-executive)<br>Appointment ended 31/12/11  | 5              | *                      |                               |
| Ms Lesley Watkins<br>(non-executive)                                    | 7              | 4                      | *                             |
| Mr David Saunders<br>(Chief Executive)                                  | 7              | 4*                     | *                             |
| *not a member of the committee  |                |                        |                               |

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 the 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:

- 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.
- The SMT includes the Senior Information Risk Owner (SIRO) and senior representatives from across the CC. The 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, the SMT specifically meets quarterly to discuss risk and information risk management. In terms of risk management the 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;
  - 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;
  - the existing management structures enable risk to be managed appropriately.
- 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, the SMT has a key role in ensuring relevant risks are put up to Council for consideration,

# Governance Statement *(continued)*

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 AG 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 RSG 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 P and P 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 P and P or the Inquiry team).
- Objective 5a risks (ensure positive engagement with CC stakeholders and external representation of the CC) are managed by the Director of Policy.
- Objective 5b 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.
- 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.
- Below the 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; and
  - 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 IT—considers risks in relation to Information Services, and the Information and Administrative Services unit; and
    - 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.
- Every manager within the CC is responsible for identifying the types of risks that fall within their own remit.
  - 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.
  - 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.
  - 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 and monthly reporting to BIS.

- Additionally the Efficiency Reform Group has put in place a number of financial controls with which the CC complies.
- 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.
- Project Boards are established for all major projects (such as the Internet Project Group) in accordance with Prince 2 project management guidelines to ensure projects are managed under generally accepted project management techniques, including identification and assessment of project risks.
- 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.
- 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.

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 the SMT is responsible for managing the risks associated with their corporate plan objectives for 2012/13. 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 in March 2012.

The following risk management processes are in place:

- Those risks that are identified as strategic are managed by Council. The Council reviews the CC's strategic risks at each Council meeting.
- At each Audit Committee meeting a member of the SMT attends to discuss with the Audit Committee<sup>2</sup> the risks that they manage. Discussions provide assurance to the Audit Committee that 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.
- 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 the Management Development Programme. The CC is also currently developing an online risk management training package for staff. 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.
- The 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.
- The SMT is also responsible for advising the Council about key strategic risks.
- The SMT is responsible for overall security, data handling and information assurance policies and procedures and overseeing effective security management.
- 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



# Governance Statement *(continued)*

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.

- Policies are in place in the event of a pandemic or a terrorist attack.

## **DATA POLICY**

- The SWG works alongside BCG and reports to the 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).

The Director of Corporate Services, who is the Chair of the Committee, is also the CC's Departmental Security Officer (DSO) and SIRO. During 2011/12 there were no security data incidents that needed to be reported to the Information Commissioner or Cabinet Office or CESG.

- The SWG is supported by a Security Incident Team (SIT) that deals with data losses and information breaches.
- The SIRO, with the help of the SWG, completed the following information assurance returns for 2011/12:
  - Cabinet Office Security Risk Management Overview (SRMO) 2011/12; 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).

- 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 2010 IAMM threshold, and all of the 2010 targets; we continue to work towards achieving the 2015 standards.

Following a review by the SWG on the 23 March 2012, and approval by me, the returns were submitted to BIS on 23 April 2012. Additionally a post submission review/discussion took place at the SWG on 6 May 2012.

The CC also completes quarterly risk 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 impact of the Olympic Games on the CC's ability to carry out its core business due to the possibility of significant travel disruption.
- The CC is forecasting an overspend against its indicative budget for 2012/13 due to significant increases in workload, approved increases in resources in 2011/12 and 2012/13 to manage the workload, and the CC being unable to let vacant accommodation within Victoria House.

## **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 2011/12 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 solely to disclose fraud, defalcations or other irregularities which may exist.

|                         | Unsatisfactory | Improvement<br>Required | Satisfactory  |
|-------------------------|----------------|-------------------------|---|
| 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 2012. 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:

- 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.
- 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.
- An internal audit service. This has been provided by BIS Internal Audit Service from April 2010 to date; during the

year it gave the CC's Audit Committee an opinion of the CC's internal controls as being adequate and effective.

- The work of the SIRO supported by the SWG, specifically in relation to the SPF (the CC's security manual for staff, members and contractors) and in meeting Cabinet Office Information Assurance requirements.

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 2011/12 and currently has no significant weaknesses to address.



David Saunders  
Chief Executive and Secretary  
Accounting Officer  
26 June 2012

1. As provided by Schedule 7 to the 1998 Competition Act, 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 two non-executive directors
2. The Audit Committee comprises two non-executive members of Council, one of whom is an Accountant, and three members 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 Competition Commission for the year ended 31 March 2012 under the Competition Act 1998. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, the 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 ACCOUNTING OFFICER AND AUDITOR

As explained more fully in the Statement of Accounting Officer 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 Competition Commission's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by 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.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions 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 2012 and of its 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 directions issued thereunder.

## 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 issued under the Competition Act 1998; and
- the information given in the sections entitled Council's Report and the 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 or 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  
27 June 2012

# Statement of Comprehensive Net Expenditure for the year ended 31 March 2012

|  | Note    | 2011/12<br>£'000 | 2010/11<br>£'000 |
|--|---------|------------------|------------------|
| <b>Expenditure:</b>  |         |                  |                  |
| Staff costs  | 2       | 8,758            | 8,841            |
| Members costs  | 2       | 1,198            | 796              |
| Depreciation   | 6,7 & 8 | 908              | 922              |
| Other expenditure  | 3       | 10,527           | 11,181           |
|  |         | <b>21,391</b>    | <b>21,740</b>    |
| <b>Income:</b>   |         |                  |                  |
| Other income   | 4       | (4,204)          | (3,966)          |
| <b>Net Expenditure</b>   |         | <b>17,187</b>    | <b>17,774</b>    |
| Interest receivable  |         | (4)              | (5)              |
| <b>Net expenditure after interest</b>                              |         | <b>17,183</b>    | <b>17,769</b>    |
| Corporation Tax  |         | 1                | 1                |
| <b>Net expenditure after interest and tax</b>                      |         | <b>17,184</b>    | <b>17,770</b>    |
| <b>Total Comprehensive Expenditure for the year ended 31 March</b> |         | <b>17,184</b>    | <b>17,770</b>    |

There was no other comprehensive expenditure.  
The notes on pages 63 to 79 are part of these financial statements.

# Statement of financial position as at 31 March 2012

|  | Note  | 31 March 2012<br>£'000 | 31 March 2011<br>£'000 |
|--|-------|------------------------|------------------------|
| <b>Non-current assets:</b>                         |       |                        |                        |
| Property, plant and equipment                      | 6     | 4,572                  | 4,600                  |
| Intangible assets                                  | 7     | 218                    | 330                    |
| Financial asset                                    | 8     | 1,745                  | 1,858                  |
| Trade and other receivables due after one year     | 10    | 1,778                  | 1,715                  |
| <b>Total non-current assets</b>                    |       | <b>8,313</b>           | <b>8,503</b>           |
| <b>Current assets:</b>                             |       |                        |                        |
| Trade and other receivables due within one year    | 10    | 481                    | 311                    |
| Cash and cash equivalents                          | 11    | 231                    | 127                    |
| <b>Total current assets</b>                        |       | <b>712</b>             | <b>438</b>             |
| <b>Total assets</b>                                |       | <b>9,025</b>           | <b>8,941</b>           |
| <b>Current liabilities:</b>                        |       |                        |                        |
| Trade and other payables                           | 12    | (1,712)                | (1,833)                |
| <b>Total current liabilities</b>                   |       | <b>(1,712)</b>         | <b>(1,833)</b>         |
| <b>Non-current assets less current liabilities</b> |       | <b>7,313</b>           | <b>7,108</b>           |
| <b>Non-current liabilities:</b>                    |       |                        |                        |
| Provisions   | 13(a) | (3,036)                | (2,973)                |
| Pension liabilities                                | 13(b) | (2,197)                | (2,136)                |
| Other payables                                     | 12    | (8,782)                | (8,554)                |
| <b>Total non-current liabilities</b>               |       | <b>(14,015)</b>        | <b>(13,663)</b>        |
| <b>Assets less liabilities</b>                     |       | <b>(6,702)</b>         | <b>(6,555)</b>         |
| <b>Taxpayers' equity</b>                           |       |                        |                        |
| Income and expenditure reserve                     |       | (6,702)                | (6,555)                |
|  |       | <b>(6,702)</b>         | <b>(6,555)</b>         |

The notes on pages 63 to 79 are part of these financial statements.



David Saunders  
Chief Executive and Secretary  
Accounting Officer  
26 June 2012

# Statement of cash flows for the year ended 31 March 2012

|   | Note    | 2011/12<br>£'000 | 2010/11<br>£'000 |
|---|---------|------------------|------------------|
| <b>Cash flows from operating activities:</b>                              |         |                  |                  |
| Net deficit after interest  |         | (17,184)         | (17,770)         |
| Depreciation  | 6,7 & 8 | 1,118            | 922              |
| (Revaluation)/Devaluation   |         | (291)            | 339              |
| (Increase) in trade and other receivables                                 | 10      | (233)            | (144)            |
| Increase in trade payables  | 12      | 107              | 188              |
| Utilisation of provisions   |         | (149)            | (435)            |
| Taxation  |         | -                | (1)              |
| <b>Net cash outflow from operating activities</b>                         |         | <b>(16,632)</b>  | <b>(16,901)</b>  |
| <b>Cash flows from investing activities:</b>                              |         |                  |                  |
| Purchase of property, plant and equipment                                 |         | (277)            | (339)            |
| Purchase of intangible assets   |         | (24)             | (227)            |
| Proceeds of disposal of property, plant and equipment                     |         | -                | -                |
| <b>Net cash outflow from investing activities</b>                         |         | <b>(301)</b>     | <b>(566)</b>     |
| <b>Cash flows from financing activities:</b>                              |         |                  |                  |
| Grant from parent department  |         | 17,037           | 16,886           |
|   |         | 17,037           | 16,886           |
| <b>Net financing</b>  |         | <b>104</b>       | <b>(581)</b>     |
| <b>Net (decrease)/increase in cash and cash equivalents in the period</b> |         | <b>104</b>       | <b>(581)</b>     |
| Cash and cash equivalents at the beginning of the period                  |         | 127              | 708              |
| Cash and cash equivalents at the end of the period                        |         | 231              | 127              |

The notes on pages 63 to 79 are part of these financial statements.

# Statement of changes in Taxpayers' Equity for the year ended 31 March 2012

|   | <i>Note</i> | <i>I&amp;E Reserve<br/>£'000</i> | <i>Revaluation<br/>Reserve<br/>£'000</i> | <i>Total Reserves<br/>£'000</i> |
|---|-------------|----------------------------------|--|---------------------------------|
| Balance as at 31 March 2010                 |             | (5,671)                          | -  | (5,671)                         |
| <b>Changes in Taxpayers' Equity 2010/11</b> |             |                                  |  |                                 |
| Comprehensive Expenditure for the year      |             | (17,770)                         |  | (17,770)                        |
| Grant from parent                           |             | 16,886                           |  | 16,886                          |
| <b>Balance as at 31 March 2011</b>          |             | <b>(6,555)</b>                   | <b>-</b>                                 | <b>(6,555)</b>                  |
| <b>Changes in Taxpayers' Equity 2011/12</b> |             |                                  |  |                                 |
| Comprehensive Expenditure for the year      |             | (17,184)                         | -  | (17,184)                        |
| Grant from parent                           |             | 17,037                           | -  | 17,037                          |
| <b>Balance as at 31 March 2012</b>          |             | <b>(6,702)</b>                   | <b>-</b>                                 | <b>(6,702)</b>                  |

The notes on pages 63 to 79 are part of these financial statements.

# Notes to the financial statements

## 1. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the 2011/12 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.

### 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 over. 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

##### **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.

(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.



# Notes to the financial statements *(continued)*

## **(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 Statement of 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. Accordingly, it has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

The CC makes a provision for liabilities that will be funded by grant-in-aid in future years, some of which the CC is not able to recognise in these financial statements. For example, the net liability of the PCSPS by analogy pension scheme for members which is unfunded will be met by payments from the CC's grant-in-aid.

## **(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 (2010/11: 2.2 per cent a year).

Where provisions for leasehold dilapidations are required, the CC creates a dilapidations 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.

### **REVALUATION RESERVE**

The revaluation reserve reflects the unrealised balance of the cumulative indexation and revaluation adjustments to assets. The CC's reserve reflects the revaluation of the leasehold asset.

## 2. STAFF NUMBERS AND RELATED COSTS

The cost of staff remuneration was:

|                       | 2011/12<br>£'000 | 2011/12<br>£'000 | 2011/12<br>£'000 | 2010/11<br>£'000 |
|-----------------------|------------------|------------------|------------------|------------------|
|                       | Permanent staff  | Other staff      | Total            | Total            |
| Wages and salaries    | 5,991            | 936              | 6,927            | 7,097            |
| Social security costs | 544              | 71               | 615              | 578              |
| Pension costs         | 1,142            | 74               | 1,216            | 1,166            |
| <b>Total</b>          | <b>7,677</b>     | <b>1,081</b>     | <b>8,758</b>     | <b>8,841</b>     |

- (i) The remuneration of the Chief Executive is included in staff remuneration.
- (ii) Salaries include early retirement payments of £7,364 (2010/11: £57,500 for early retirement and redundancy payments).
- (iii) £367,000 was recovered in respect of the outward secondment of permanent staff (see note 4).

The cost of members' remuneration was:

|                       | 2011/12<br>£'000              | 2011/12<br>£'000 | 2011/12<br>£'000 | 2010/11<br>£'000 |
|-----------------------|-------------------------------|------------------|------------------|------------------|
|                       | Chairman &<br>Deputy Chairmen | Other<br>members | Total            | Total            |
| Wages and salaries    | 375                           | 502              | 877              | 897              |
| Social security costs | 47                            | 49               | 96               | 94               |
| Pension costs         | 225                           | -                | 225              | (195)            |
| <b>Total</b>          | <b>647</b>                    | <b>551</b>       | <b>1,198</b>     | <b>796</b>       |

- (a) The Chairman and Deputy Chairmen's pension costs are in relation to the provision made to the pension scheme for future pension payments to current and former Chairman and Deputies. See note 16 for information.
- (b) Members of the CC during the year are listed in pages 80 to 84. 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:

|                                     | 2011/12<br>FTE | 2010/11<br>FTE |
|-------------------------------------|----------------|----------------|
| Employed on references:             |                |                |
| Permanent staff                     | 86             | 80             |
| Other staff                         | 5              | 7              |
| <b>Total employed on references</b> | <b>91</b>      | <b>87</b>      |
| Inquiry support:                    |                |                |
| Permanent staff                     | 12             | 11             |
| Other staff                         | 2              | 3              |
| <b>Total inquiry support</b>        | <b>14</b>      | <b>14</b>      |
| Support staff:                      |                |                |
| Permanent staff                     | 29             | 28             |
| Other staff                         | 4              | 1              |
| <b>Total support staff</b>          | <b>33</b>      | <b>29</b>      |
| <b>Total staff</b>                  | <b>138</b>     | <b>130</b>     |

Following a review of support staff, posts originally filled by agency staff have now become permanent positions. All the posts were approved by the Secretary of State for BIS, following guidance from the Cabinet Office.

### 3. OTHER EXPENDITURE

|   | 2011/12<br>£'000 | 2010/11<br>£'000 |
|---|------------------|------------------|
| Rentals under operating leases            | 5,420            | 6,050            |
| Running costs—Victoria House              | 2,752            | 2,578            |
| Consultants' fees—inquiry related         | 206              | 295              |
| Consultants' fees—not inquiry related     | 119              | 32               |
| External surveys—inquiry related          | 228              | 346              |
| Legal costs—appeals                       | 12               | (155)            |
| Legal costs—other                         | 206              | 159              |
| IT support and maintenance                | 217              | 126              |
| Software licences                         | 74               | 51               |
| IT equipment and consumables              | 55               | 99               |
| Telecommunications and Internet charges   | 233              | 307              |
| Inquiry variable costs                    | 300              | 168              |
| Travel, subsistence and hospitality:      |                  |                  |
| Members                                   | 94               | 108              |
| Staff & contractors                       | 46               | 36               |
| Staff training                            | 148              | 186              |
| Staff recruitment                         | 138              | 94               |
| Subscriptions                             | 132              | 131              |
| Catering                                  | 243              | 196              |
| Audit fees for statutory audit work       | 32               | 34               |
| Other audit fees                          | 28               | 24               |
| Other administration                      | 135              | 90               |
| Non-cash items:                           |                  |                  |
| (Revaluation)/Devaluation charge          | (291)            | 339              |
| Office relocation (decrease in provision) | -                | (113)            |
| Other expenditure                         | 10,527           | 11,181           |
| Other non-cash items                      |                  |                  |
| Depreciation                              | 908              | 922              |
| Total other operating charges             | 11,435           | 12,103           |

The CC occupies 41 per cent of its office space at Victoria House with the remainder sublet or space awaiting letting. The accommodation costs shown above are the full costs before sublet income of £3,724,000 (2010/11: £3,497,000) which is included as income (see note 4).

Operating lease rental costs included above were £5,544,000 for the year (2010/11: £6,174,000). The figure under rentals under operating leases includes an amount of £124,000 which relates to the CC's rent-free period which has been calculated over the lifetime of the lease.

IT support and maintenance costs, along with the costs associated with software and licences have increased since 2010/11 due to developments in the CC's high availability/disaster recovery solution. Initial annual costs originally capitalised when the product was purchased are now showing as annual expenditure as well as some new non-capitalised software to support the CC's remote working solution.

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. In 2010/11 the CC received a reimbursement of legal costs from BAA following the Court of Appeal decision.

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.

The devaluation charge in 2010/11 relates to the amount charged to expenditure because of the downwards revaluation of the leasehold asset.

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

## Notes to the financial statements *(continued)*

### 4. INCOME

|  | 2011/12 | 2010/11 |
|--|---------|---------|
|  | £'000   | £'000   |
| Rent and other occupancy charges including corporate services charges: |         |         |
| External:  |         |         |
| Sinclair Knight Merz   | 510     | 622     |
| National Heart Forum   | 120     | 30      |
| Intra-Government:  |         |         |
| Competition Service (CAT)  | 1,743   | 1,816   |
| Department for Business Innovation and Skills                          | 50      | 65      |
| Office of Manpower Economics/Low Pay Commission                        | 735     | 168     |
| NHS Institute for Innovation and Improvement                           | 56      | 232     |
| Legal Services Board   | 505     | 448     |
| OSPAR Commission   | 5       | -       |
| Security Industry Authority  | -       | 116     |
|  | 3,724   | 3,497   |
| Charges for seconded-out staff   |         |         |
| External:  |         |         |
| Federal Trade Commission—USA   | 100     | -       |
| Intra-Government:  |         |         |
| Department for Business Innovation and Skills                          | 3       | -       |
| Civil Aviation Authority   | -       | 38      |
| Cooperation & Competition Panel  | 264     | 202     |
| Ofgem  | -       | 31      |
|  | 367     | 271     |
| Sundry income  | 113     | 198     |
| Total income   | 4,204   | 3,966   |

## 5. ANALYSIS OF NET EXPENDITURE BY PROGRAMME AND ADMINISTRATION BUDGET

|   | 2011/12   | 2011/12        | 2011/12 | 2010/11   | 2010/11        | 2010/11 |
|---|-----------|----------------|---------|-----------|----------------|---------|
|   | £'000     | £'000          | £'000   | £'000     | £'000          | £'000   |
|   | Programme | Administration | Total   | Programme | Administration | Total   |
| Staff costs                               | 7,536     | 2,363          | 9,899   | 6,907     | 2,730          | 9,637   |
| Rentals under operating leases            | 2,385     | 3,035          | 5,420   | 2,901     | 3,149          | 6,050   |
| Running costs—Victoria House              | 1,124     | 1,628          | 2,752   | 1,155     | 1,423          | 2,578   |
| Consultants' fees                         | 206       | 119            | 325     | 310       | 17             | 327     |
| External surveys                          | 228       | -              | 228     | 346       | -              | 346     |
| Legal costs—appeals                       | 12        | -              | 12      | (155)     | -              | (155)   |
| Legal costs—other                         | 143       | 63             | 206     | 136       | 23             | 159     |
| IT support and maintenance                | -         | 217            | 217     | -         | 126            | 126     |
| Software licences                         | -         | 74             | 74      | -         | 51             | 51      |
| IT equipment and consumables              | -         | 55             | 55      | -         | 99             | 99      |
| Telecommunications and Internet charges   | -         | 233            | 233     | -         | 307            | 307     |
| Inquiry variable costs                    | 85        | 215            | 300     | 51        | 117            | 168     |
| Travel, subsistence and hospitality       | 132       | 8              | 140     | 126       | 18             | 144     |
| Staff training                            | 2         | 146            | 148     | 2         | 184            | 186     |
| Staff recruitment                         | -         | 138            | 138     | -         | 94             | 94      |
| Subscriptions                             | -         | 132            | 132     | -         | 131            | 131     |
| Catering                                  | 30        | 213            | 243     | 28        | 168            | 196     |
| Audit fees for statutory audit work       | -         | 32             | 32      | -         | 34             | 34      |
| Other audit fees                          | -         | 28             | 28      | -         | 24             | 24      |
| Corporation Tax                           | -         | 1              | 1       | -         | 1              | 1       |
| Other administration                      | 4         | 131            | 135     | -         | 90             | 90      |
| Non-cash items:                           |           |                | -       |           |                |         |
| Devaluation charge                        | -         | (291)          | (291)   | -         | 339            | 339     |
| Office relocation (decrease in provision) | -         | -              | -       | -         | (113)          | (113)   |
| Other non-cash items                      |           |                |         |           |                |         |
| Depreciation                              | -         | 908            | 908     | -         | 922            | 922     |
|   | 11,887    | 9,448          | 21,335  | 11,807    | 9,934          | 21,741  |
| Income                                    |           |                |         |           |                |         |
| Rent and other occupancy charges          | -         | 3,724          | 3,724   | -         | 3,497          | 3,497   |
| Secondment income                         | -         | 367            | 367     | -         | 271            | 271     |
| Other income                              | -         | 113            | 113     | -         | 198            | 198     |
| Interest receivable                       | -         | 4              | 4       | -         | 5              | 5       |
|   | -         | 4,208          | 4,208   | -         | 3,971          | 3,971   |
| Net expenditure after interest            | 11,887    | 5,240          | 17,127  | 11,807    | 5,963          | 17,770  |

## Notes to the financial statements (*continued*)

### 6. PROPERTY, PLANT AND EQUIPMENT

|                         | 2011/12<br>£'000          | 2011/12<br>£'000    | 2011/12<br>£'000 | 2011/12<br>£'000                    | 2011/12<br>£'000 |
|-------------------------|---------------------------|---------------------|------------------|-------------------------------------|------------------|
|                         | Information<br>technology | Fixtures & fittings | Leasehold costs  | Assets in course<br>of construction | Total            |
| <b>Cost:</b>            |                           |                     |                  |                                     |                  |
| At 1 April 2011         | 3,479                     | 997                 | 6,349            | -                                   | 10,825           |
| Additions at cost       | 115                       | 9                   | -                | 153                                 | 277              |
| Disposals               | (26)                      | -                   | -                | -                                   | (26)             |
| Revaluation             | -                         | -                   | 484              | -                                   | 484              |
| <b>At 31 March 2012</b> | <b>3,568</b>              | <b>1,006</b>        | <b>6,833</b>     | <b>153</b>                          | <b>11,560</b>    |
| <b>Depreciation:</b>    |                           |                     |                  |                                     |                  |
| 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              |
| <b>At 31 March 2012</b> | <b>3,331</b>              | <b>809</b>          | <b>2,848</b>     | <b>-</b>                            | <b>6,988</b>     |
| <b>Net Book Value:</b>  |                           |                     |                  |                                     |                  |
| At 31 March 2012        | 237                       | 197                 | 3,985            | 153                                 | 4,572            |
| At 31 March 2011        | 317                       | 256                 | 4,027            | -                                   | 4,600            |
| <b>Asset Financing:</b> |                           |                     |                  |                                     |                  |
| Owned                   | 237                       | 197                 | 3,985            | 153                                 | 4,572            |
| Finance leased          | -                         | -                   | -                | -                                   | -                |
| <b>At 31 March 2012</b> | <b>237</b>                | <b>197</b>          | <b>3,985</b>     | <b>153</b>                          | <b>4,572</b>     |

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

The assets in course of construction relate to laptops that were purchased in March to replace the CC's desktop computers. The laptops are currently being built with all the relevant software and will begin to be used by staff from June 2012.

## 6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

|                               | 2010/11<br>£'000          | 2010/11<br>£'000    | 2010/11<br>£'000 | 2010/11<br>£'000                    | 2010/11<br>£'000 |
|-------------------------------|---------------------------|---------------------|------------------|-------------------------------------|------------------|
|                               | Information<br>technology | Fixtures & fittings | Leasehold costs  | Assets in course<br>of construction | Total            |
| <b>Cost:</b>                  |                           |                     |                  |                                     |                  |
| At 1 April 2010               | 3,457                     | 830                 | 6,844            | 107                                 | 11,238           |
| Additions at cost             | 172                       | 167                 | -                | -                                   | 339              |
| Disposals                     | (150)                     | -                   | -                | -                                   | (150)            |
| Transfer to intangible assets | -                         | -                   | -                | (107)                               | (107)            |
| Revaluation                   | -                         | -                   | (495)            | -                                   | (495)            |
| <b>At 31 March 2011</b>       | <b>3,479</b>              | <b>997</b>          | <b>6,349</b>     | <b>-</b>                            | <b>10,825</b>    |
| <b>Depreciation:</b>          |                           |                     |                  |                                     |                  |
| At 1 April 2010               | 3,119                     | 687                 | 2,154            | -                                   | 5,960            |
| Provision for the year        | 193                       | 54                  | 324              | -                                   | 571              |
| Released on disposal          | (150)                     | -                   | -                | -                                   | (150)            |
| Revaluation                   | -                         | -                   | (156)            | -                                   | (156)            |
| <b>At 31 March 2011</b>       | <b>3,162</b>              | <b>741</b>          | <b>2,322</b>     | <b>-</b>                            | <b>6,225</b>     |
| <b>Net Book Value:</b>        |                           |                     |                  |                                     |                  |
| At 31 March 2011              | 317                       | 256                 | 4,027            | -                                   | 4,600            |
| At 31 March 2010              | 338                       | 143                 | 4,690            | 107                                 | 5,278            |
| <b>Asset Financing:</b>       |                           |                     |                  |                                     |                  |
| Owned                         | 317                       | 256                 | 4,027            | -                                   | 4,600            |
| Finance leased                | -                         | -                   | -                | -                                   | -                |
| <b>At 31 March 2011</b>       | <b>317</b>                | <b>256</b>          | <b>4,027</b>     | <b>-</b>                            | <b>4,600</b>     |

Assets in the course of construction carried forward are in respect of software licences for the Autonomy search tool (£107,000). This asset is now in use and has been transferred to intangible assets.



## 7. INTANGIBLE ASSETS

|                         | <i>2011/12</i>           |
|-------------------------|--------------------------|
|                         | <i>Software licences</i> |
|                         | <i>£'000</i>             |
| <b>Cost:</b>            |                          |
| At 1 April 2011         | 1,599                    |
| Additions at cost       | 24                       |
| Disposals               | -                        |
| <b>At 31 March 2012</b> | <b>1,623</b>             |
| <b>Amortisation:</b>    |                          |
| At 1 April 2011         | 1,269                    |
| Provision for the year  | 136                      |
| Disposals               | -                        |
| <b>At 31 March 2012</b> | <b>1,405</b>             |
| <b>Net Book Value:</b>  |                          |
| At 31 March 2012        | 218                      |
| At 31 March 2011        | 330                      |
| <b>Asset Financing:</b> |                          |
| Owned                   | 218                      |
| <b>At 31 March 2012</b> | <b>218</b>               |

|  | <i>2010/11</i>           |
|--|--------------------------|
|  | <i>Software licences</i> |
|  | <i>£'000</i>             |
| <b>Cost:</b>                                   |                          |
| At 1 April 2010                                | 1,265                    |
| Additions at cost                              | 227                      |
| Transfer from assets in course of construction | 107                      |
| Disposals                                      | -                        |
| <b>At 31 March 2011</b>                        | <b>1,599</b>             |
| <b>Amortisation:</b>                           |                          |
| At 1 April 2010                                | 1,072                    |
| Provision for the year                         | 197                      |
| Disposals                                      | -                        |
| <b>At 31 March 2011</b>                        | <b>1,269</b>             |
| <b>Net Book Value:</b>                         |                          |
| At 31 March 2011                               | 330                      |
| At 31 March 2010                               | 193                      |
| <b>Asset Financing:</b>                        |                          |
| Owned  | 330                      |
| <b>At 31 March 2011</b>                        | <b>330</b>               |

## 8. FINANCIAL ASSET

|                        | 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   |

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.

|                        | 2010/11 |
|------------------------|---------|
|                        | £'000   |
| Cost                   |         |
| At 1 April 2010        | 2,956   |
| Revaluation            | 17      |
| At 31 March 2011       | 2,973   |
| Depreciation           |         |
| At 1 April 2010        | 961     |
| Provision for the year | 147     |
| Revaluation            | 7       |
| At 31 March 2011       | 1,115   |
| Net Book Value         |         |
| At 31 March 2011       | 1,858   |
| At 31 March 2010       | 1,995   |

## 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

|   | 2011/12 | 2010/11 |
|---|---------|---------|
|   | £'000   | £'000   |
| Amounts falling due within one year:          |         |         |
| Trade receivables:                            |         |         |
| External                                      | 15      | 27      |
| Central Government:                           |         |         |
| Sport England                                 | 2       | 5       |
| HM Treasury                                   | -       | 5       |
| Department for Business Innovation and Skills | 4       | 10      |
| Competition Service (CAT)                     | -       | 5       |
| Cooperation and Competition Panel             | 35      | 43      |
| NHS Institute for Innovation and Improvement  | -       | 2       |
| Office of Manpower Economics                  | 7       | -       |
| Legal Services Board                          | 1       | 12      |
| OSPAR Commission                              | 5       | -       |
| Prepayments                                   | 179     | 137     |
| Tenants' rent-free period                     | 19      | 19      |
| Deposits and advances                         | 214     | 46      |
|   | 481     | 311     |

Amounts falling due after more than one year:

|                           | 2011/12 | 2010/11 |
|---------------------------|---------|---------|
|                           | £'000   | £'000   |
| Tenants' rent-free period | 227     | 241     |
| Competition Service rent  | 1,551   | 1,474   |
|                           | 1,778   | 1,715   |

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 2012, which includes amounts falling due within one year and after one year, was £246,000 (2010/11: £260,000).

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

|  | 2011/12<br>£'000 | 2010/11<br>£'000 |
|--|------------------|------------------|
| Balance at 1 April                               | 127              | 708              |
| Net change in cash and cash equivalent balances  | 104              | (581)            |
| Balance at 31 March                              | 231              | 127              |
| The following balances at 31 March were held at: |                  |                  |
| Government Banking Service                       | 231              | 127              |

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:

|   | 2011/12<br>£'000 | 2010/11<br>£'000 |
|---|------------------|------------------|
| Trade payables:                         |                  |                  |
| External                                | 63               | 135              |
| Intra-Government—Office of Fair Trading | 12               | -                |
| Victoria House rent—deferred income     | 138              | 138              |
| PAYE, National Insurance & Pension      | 362              | 335              |
| Bonus pay accrual                       | 250              | 250              |
| Holiday pay accrual                     | 420              | 422              |
| VAT                                     | 34               | 74               |
| Corporation Tax                         | 1                | 1                |
| Other payables                          | 432              | 478              |
|   | 1,712            | 1,833            |

Amounts falling due after more than one year:

|   | 2011/12<br>£'000 | 2010/11<br>£'000 |
|---|------------------|------------------|
| Victoria House rent—deferred income           | 1,449            | 1,587            |
| Victoria House rent—operating lease liability | 7,333            | 6,967            |
|   | 8,782            | 8,554            |

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 2012 ARE:

|  | <i>Capitalised office<br/>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                   |

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 2011 ARE:

|  | <i>Office relocation</i> | <i>Capitalised office<br/>dilapidations</i> | <i>Total provisions</i> |
|--|--------------------------|---|-------------------------|
|  | <i>£'000</i>             | <i>£'000</i>                                | <i>£'000</i>            |
| Balance as at 1 April 2010                       | 113                      | 2,956                                       | 3,069                   |
| Provided in the year                             | (113)                    | 17  | (96)                    |
| At 31 March 2011                                 | -                        | 2,973                                       | 2,973                   |
| Analysis of expected timing of discounted flows: |                          |   |                         |
| One to five years                                | -                        | -   | -                       |
| More than five years                             | -                        | 2,973                                       | 2,973                   |
|  | -                        | 2,973                                       | 2,973                   |

The office relocation provision relates to the CC's former offices at New Court, London WC2, which were vacated in February 2004. Provision is made to cover contracted office rental liabilities at New Court. The provision was reversed in 2010/11 as the CC no longer has any further liabilities.

### 13. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

(B) PENSION PROVISIONS FOR THE YEAR ENDED 31 MARCH 2012 ARE:

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

In accordance with the requirements of FRS 17, 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 2011 ARE:

|                                 | <i>Pension liabilities</i> |
|---------------------------------|----------------------------|
|                                 | <i>2010/11</i>             |
|                                 | <i>£'000</i>               |
| As at 1 April 2010              | 2,458                      |
| Released in year                | (206)                      |
| Provisions utilised in the year | (116)                      |
| As at 31 March 2011             | 2,136                      |

### 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.

|   | 2011/12<br>£'000 | 2010/11<br>£'000 |
|---|------------------|------------------|
| Land and buildings                                |                  |                  |
| Not later than one year                           | 5,614            | 5,614            |
| Later than one year and not later than five years | 25,037           | 24,300           |
| Later than five years                             | 45,460           | 51,811           |

The CC has a 20-year lease for office space in Victoria House, Southampton Row, London WC1. 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 or is awaiting letting at the 31 March 2012 and 3,350 square metres (41 per cent) is the CC's net space. The CC's net operating lease commitment is £56,908,000 (2010/11: £60,583,000).

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.

## 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 2012 there were no active members and eleven 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 2012 was £2,197,000 (31 March 2011: £2,136,000). Pensions in payment of retirees (and deferred pensions) increased by 3.1 per cent from 11 April 2011. 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 are 4.85 per cent a year, is specified for resource accounting purposes by HM Treasury. The following allowances are assumed: increase in salaries 4.25 per cent a year, price inflation 2 per cent a year, increase for pensions in payment and deferred pensions 2 per cent a year.

During the period ended 31 March 2012 pension payments of £149,000 (2010/11: £116,000) were made to retired Chairmen and Deputy Chairmen.

Mrs Laura Carstensen, Deputy Chairman, was not part of the CC's PCSPS by analogy scheme. The CC made contributions to Mrs Carstensen's private pension scheme in line with civil service pension arrangements until 31 December 2011.

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 Price Index (CPI). 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 at the rate of 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium and 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 uprated in line with CPI. The employee contributions will be increasing in April 2012.

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](http://www.civilservice-pensions.gov.uk).

For the year ended 31 March 2012, employer's contributions of £1,216,000 were payable to the PCSPS (2010/11: £1,166,000).

## 17. CONTINGENT LIABILITIES

On occasion the CC will be subject to challenges in the normal course of its business which could give rise to liabilities for costs. However, these cannot be quantified as the outcome of any current proceedings is unknown, and therefore considerable uncertainty exists as to the nature and extent of any subsequent liability.

## 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 and The OSPAR Commission/Bonn agreement.

## 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 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.

**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.



**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 the Chairman of Qinetiq's Pension Fund, Independent Trustee of TDG Pension Fund and an expert adviser to a number of other corporate and local government pension funds. She is also Chairman of Aberdeen Smaller Companies High Income Trust plc, a non-executive director of JP Morgan European Smaller Companies Plc and a council member of Sport Scotland. 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 and a member of the Independent Television Commission. She holds a Bachelors 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. He is also Programme Director of the International Trade and Regional Economics Programme of the Centre of 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 and of Daiwa Fund Assets Services, 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 them in the UK, Norway, Denmark and the Netherlands.



**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.

**THOMAS HOEHN** (appointed in 2009), previously an Economics Partner at PricewaterhouseCoopers, specialises in the application of economic analysis to competition law, intellectual property and sport. He is the founding Director of the Intellectual Property Research Centre at the Imperial College Business School, London, where he teaches courses on the MBA and MSc programmes. 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, until her appointment, a partner and head of the competition department at the London office of Reed Smith which merged in 2007 with Richards Butler, her former firm. Before joining Richards Butler in 1989, she was an in-house competition lawyer for more than eight years, latterly as senior competition counsel at Guinness PLC; before that, she was 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.

## Members' biographies *(continued)*

---



**ALEXANDER JOHNSTON** (appointed in 2005) is an external member of the Finance Committee of Cambridge University, Chairman of Cambridge University's Syndicate for the West and North West Cambridge Estates 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 and a member of the Thames Estuary Steering Group.

**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.

**JOHN LONGWORTH** (appointed in 2009) is Director General of the British Chambers of Commerce. He was an Executive Main Board Director of Asda Group Ltd and Asda Financial Services Ltd and held senior positions at Tesco Stores Ltd and CWS Ltd. His public roles have included the board of a Healthcare Trust and the British Retail Consortium and membership of the Health and Safety Commission and the original Deregulation Task Force. He was economic spokesman for the CBI and Chairman of its Distributive Trades Panel. He is currently Chairman and founder of a venture-capital-backed science and professional services business, SVA Ltd, and a non-executive director at the Co-operative Group and of Nichols PLC.



**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.

**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 non-executive director of the Cambridge University Hospitals NHS Foundation Trust, where he chairs the Business Development Committee.



**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. Currently he is Executive Chairman of the London Press Club, non-executive Chairman of a national newspaper advertising consumer protection scheme, National Secretary of the Western Front Association and a trustee of a professional association of psychoanalysts.

**JEREMY PEAT** (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, Vice Chair of the Royal Zoological Society of Scotland and a board member of the Signet Accreditation Company. He recently held the position of Chairman of the CC's Local Bus Services market investigation from 2009 to 2011.



**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, Deputy Chairman of the Higher Education Funding Council for England, 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 Authority.

**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 to 1997) and with Railtrack plc (1997 to 2002). Previously, he was a member of the Government Economic Service, working mainly in the Department of 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.



**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.

**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.



**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; affiliate of the Centre for Management Buyout Research at Nottingham University; 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 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.

## Members' biographies *(continued)*

---



**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).

**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 WHITICAR** (appointed in 2005) is the non-executive director of Countrywide Principal Services Limited, Mortgage Next Network Limited and Mortgage Intelligence Limited. He has a consultancy company specialising in board evaluation and corporate governance and advises professional regulatory bodies. He has been a consultant to BIS. He is a Chartered Accountant in England and Wales and in Ontario, Canada. Until 2005, he was a Managing Director of The Royal Bank of Scotland, with over 20 years' experience in mergers and acquisitions, banking and capital markets.

**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 Three Valleys Water plc, 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.



# 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**, Lecturer in Economics at Birkbeck College, University of London, and research associate at the Institute of Fiscal Studies and the Centre for Microdata Methods and Practice.

**DR PIERRE DUBOIS**, Professor of Economics, Toulouse School of Economics, University of Toulouse I Capitole. Director of DEEQA, Toulouse School of Economics. Coordinator of ENTER (European Network for Training in Economic Research) for the University of Toulouse I Capitole.

**PROFESSOR RICHARD GREEN**, Alan and Sabine Howard Professor of Sustainable Energy Business, Imperial College, London.

**PROFESSOR PAUL KLEMPERER FBA**, Edgeworth Professor of Economics at Oxford University.

**DR LARS NESHEIM**, Lecturer 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.

**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**, Lecturer in Economics, University of Oxford.

## Senior team biographies

---



**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 advisor. He acted as lead economist on many merger and market inquiries, including groceries, extended warranties and Northern Ireland personal current accounts. Before joining the CC, Douglas worked at the Department of Trade and Industry (DTI) dealing with various industry sectoral issues, and at MAFF, working in the area of international agricultural policy reform. 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.

**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.



**ANTHONY PYGRAM, INQUIRY DIRECTOR.** Anthony Pygram served as Inquiry Director from 2005 until November 2011, before moving to Ofgem. Whilst at the CC he directed several merger inquiries and market investigations, and spent a year acting as Director of Policy. Most recently he directed the consideration of possible material changes in circumstances that have occurred since the publication of the BAA airports market investigation report, and the Kerry/Headland merger inquiry.

**CAROLINE WALLACE, INQUIRY DIRECTOR.** Caroline Wallace joined the CC in 2005. She spent the previous five years at Ofcom and then 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 in (among other things) transport, food, the financial sector and construction.



**ANDREW WRIGHT, INQUIRY DIRECTOR.** Andrew joined the CC in 2005. Previously, he was a manager at Deloitte Corporate Finance, having initially trained as a Chartered Accountant with Arthur Andersen. In his time at the CC, Andrew has led merger inquiries in many sectors, including the UK's broadcast transmission infrastructure and services, mass spectrometry, health foods and live event ticketing. He has also led a pricing review of Stansted Airport. He is currently leading the CC's investigation into movies on pay TV.



**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. David 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 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 Economists team and acted as Head of Policy Analysis. Adam 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 Economists 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. Graeme is also a qualified Chartered Accountant.



**ALISON OLDALE, CHIEF ECONOMIST.** Alison Oldale joined the CC in 2009 from consultancy LECCG, where she was director. She has been on secondment at the US Federal Trade Commission in Washington DC since August 2011, and resigned from the CC in May 2012. She has over ten years of consulting experience, including three years based in Brussels, and has provided economic advice on a wide range of competition and regulatory issues. She holds a BA in economics from Cambridge University, and MSc and PhD from the London School of Economics.

**MIGUEL DE LA MANO, INTERIM CHIEF ECONOMIST.** Miguel de la Mano joined the CC in October 2011 on secondment from his position of Deputy Chief Competition Economist at the European Commission, where he has worked since 2001. He returned to the European Commission in April 2012. At the European Commission he has been closely involved in the drafting of policy guidelines both in the area of mergers and antitrust. Over the past decade he has worked on many high-profile cases during both administrative and court proceedings. Miguel completed graduate studies in economics at the Institute for World Economics in Kiel, Germany, and the European Institute at Saarbrücken University, Germany. He conducted his PhD research at Oxford University, UK.



**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.



## Senior team biographies *(continued)*

---



**TOM KITCHEN, DIRECTOR OF ECONOMIC ANALYSIS.** Tom Kitchen joined the CC in the late 1990s for his second stint at the CC and became a director in the Economists team in 2003. He has worked on many inquiries. Before joining the CC, Tom's competition and regulatory work focused mainly 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. She has specialised in competition and regulation, previously holding legal and policy posts at ORR and Ofwat, and has been involved in managing change in consequence of changes to the competition (notably Enterprise Act and Competition Act) or regulatory regimes. Before joining Ofwat she was a solicitor in private practice specialising in corporate, commercial and regulatory law.

**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. Morven 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 in numerous merger, market, complex monopoly and regulatory cases. He has also acted for the CC in litigation and advised on code modification appeals and governance.

**REBECCA LAWRENCE, DIRECTOR OF CORPORATE SERVICES.** Rebecca Lawrence joined the CC in 2005. She was formerly the Operations Director at the Rent Service (a DWVP 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.

---