Competition Commission

Annual Report and Accounts 2010/11

COMPETITION COMMISSION

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Annual Report and Accounts 2010/11

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Contents

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, markets and the regulation of the major regulated industries.

All the CC's inquiries are undertaken following a reference made by another authority, most often the Office of Fair Trading (OFT) (which refers merger and market inquiries), or one of the sector regulators (which can refer markets within their sectoral jurisdictions or make regulatory references in relation to price controls and other licence modifications) or as a result of an appeal relating to a decision of one of the sector regulators. Further information about each of these areas of work is given below.

Mergers

Under the Enterprise Act 2002 (Enterprise Act), the OFT can investigate whether there is a realistic prospect that a merger will lead to a substantial lessening of competition (SLC) in a UK market. If it finds that there is such a prospect it will refer the merger to the CC, unless it obtains undertakings from the merging parties to address its concerns, the market is of insufficient importance or it considers that one of a number of other limited exceptions applies. 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 the CC, the CC carries out an investigation and decides whether it has resulted or may be expected to result in an SLC. If so, the CC has wide-ranging powers to remedy any competition concerns resulting from the merger, including preventing a merger from going ahead. It can also require a company to sell off part of its business or take other steps to improve competition.

Market investigations

The Enterprise Act enables the OFT (and the sector regulators) to investigate markets and, if they are concerned that there may be competition problems, to refer those markets to the CC for in-depth investigation.

In market investigations the CC has to decide whether any feature or combination of features in a market prevents, restricts or distorts competition, thus constituting an adverse effect on competition. If the CC concludes that this is the case, it must seek to remedy the problems that it identifies either by taking action itself or by recommending action by others.

Reviews of undertakings or orders

Undertakings or orders are the primary means by which remedies are given effect under the Enterprise Act (and its predecessor, the Fair Trading Act 1973). The OFT has to keep these undertakings or orders under review. If it considers that, due to a change of circumstances, they should be varied or terminated, the OFT refers them for the CC to consider and decide whether to vary or terminate them.

Regulatory references

The CC's role on regulatory references is dictated by the relevant sector-specific legislation. Companies regulated under the gas, electricity, water and sewerage, postal services, railways or airports legislation generally have a licence setting out how they should operate which commonly includes controls on the prices they can charge for providing these services. Certain disputes about the terms of these licences and such price controls, and proposals to change them, can be referred to the CC for determination.

The CC also has roles under the Competition Act 1980, Financial Services and Markets Act 2000 and the Legal Services Act 2007.

Energy code modifications and Communications Act appeals

The CC has an appeal function following decisions by the Gas and Electricity Markets Authority to modify certain energy codes under the Energy Act 2004 and in relation to price control decisions by Ofcom, following a reference by the Competition Appeal Tribunal under the Communications Act 2003.

Foreword by the new Chairman

Roger Witcomb Chairman (from 7 May 2011)

Competition in uncertain times

I must first pay tribute to Peter Freeman, whose tenure as Chairman came to an end in May 2011. Under his leadership the CC has established itself as one of the world's foremost competition authorities. In my two years as a member I have come to understand how it reached that position. It is an organization of huge professional competence, which operates with a culture of openness and mutual trust. And I have also seen at first hand, in my work on the remedies review, how we both embrace external challenge, and challenge ourselves to maintain and improve the high standards we work to. Peter's calmness, integrity and intellectual rigour have been key to our success in all these areas.

The CC's activities in 2011 will be dominated by the Government's proposals for the reform of the UK competition regime. It is encouraging that the Government's consultation paper recognizes the CC's merits. I am confident that the new regime will preserve the acknowledged strengths of the CC and the OFT and create a single institution which is even more effective at delivering high-quality competition decisions fairly and efficiently. The prospect of change is of course unsettling, particularly for the CC's staff, but a new, larger organization with a greater range of activities would offer real opportunities for everyone.

But change is also some way away—well into 2012 at the earliest. It is vitally important that we do not allow ourselves to be distracted by uncertainty about our future from our business of carrying out rigorous, high-quality analysis of competition issues and putting in place effective remedies. I am confident that we can and will do that, with expertise, objectivity, fairness and good humour, the qualities which are our hallmark. And I am looking forward to playing my part in that and to leading the CC through what will undoubtedly be a challenging, but also an exciting, period.

Chairman's statement

In a busy and successful year the most significant event for the CC has been the Government's proposal to merge the CC with the OFT.

The Government has, helpfully, reaffirmed its commitment to a strong competition policy as a key factor underpinning improved economic performance. It is also no bad thing for public bodies to be required to operate within reduced means, providing their ability to carry out their essential functions is not threatened. As the Chief Executive's report makes clear, the CC has already delivered substantial efficiency savings and there is little, if any, scope left for further reductions, if it is to continue to play its part in effective competition enforcement.

But beyond that limited scope for cost saving, the Government's review of competition institutions provides a chance to create a first class competition and markets authority, by combining the best features of the CC and the OFT. The CC shares the view of many observers that the resulting institution should be built round a two-phase approach covering the greater part of its work, with independent commissioners similar to those presently at the CC providing the necessary objectivity and substance in the phase two assessment at relatively modest cost.

The review is an opportunity to deal more effectively than at present with the issues of which cases should be subject to intensive scrutiny at phase two, and to get right the balance between the core competition casework that is the hallmark of an effective authority and softer advocacy-type activities.

The Government's good intentions are clear but it is also important to translate these into practice and not to damage what is widely recognized as already a top-quality system.

In the meantime, it is business as usual. The CC's work is described in this report. Particularly welcome was the success in the Court of Appeal in the BAA case—although the case as a whole caused the CC to take a long hard look at its conflict of interest procedures.

Peter Freeman CBE QC Chairman (until 6 May 2011)

We said goodbye this year to Christopher Clarke and Diana Guy, two distinguished Deputy Chairmen. In their place one of the existing members, Roger Witcomb, was appointed Deputy Chairman and was then appointed Chairman in succession to me.

I have spent five years as Chairman of the CC. There is no better position to occupy in the UK competition field and the CC staff and members will, I am sure, contribute fully to any new institution and in the meantime give their full support to my successor, as do I.

The Council

The Council is the CC's strategic management board; it is led by the Chairman and currently consists of the Deputy Chairmen, the Chief Executive, and 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 and publishing a statement of policy on penalties for non-provision of information.

Peter Freeman CBE QC has been a CC member since May 2003 and served as its Chairman from 2006 until May 2011 and Deputy Chairman between 2003 and 2006. Prior to joining the CC, he was head of the EC and Competition Law Group of the international law firm Simmons & Simmons. He was co-founder of and, until 2007, Chairman of the Regulatory Policy Institute, is a Consulting Editor of Butterworths' Competition Law, and is a member of the Advisory Boards of the Competition Law Journal, the International Competition Law Forum and the ESRC Research Centre for Competition Policy. In March 2010 he was appointed honorary Queen's Counsel and in June 2010 was awarded a CBE in the Queen's Birthday Honours. Recent cases include reviews of the Northern Ireland Banks, Home Credit and Store Cards market investigations; the appeals by Carphone Warehouse against the price control decision by Ofcom; and the BAA Airports market investigation.

Roger Witcomb was appointed CC Chairman in May 2011 having been a CC member since 2009. Roger is Chair of Governors of the University of Winchester, a non-executive director of Infraco (a developer of infrastructure projects in developing countries) and 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. Recent cases include the Centrica Review of Undertakings and the Ratcliff Palfinger/Ross & Bonnyman merger inquiry.

Laura Carstensen was appointed Deputy Chairman in February 2009, 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 co-founder and director of two online mail order businesses, Blue Banyan Ltd and Hortica. She is a non-executive board member of the Office of the Parliamentary Counsel (Cabinet Office), and a member of the Cooperation & Competition Panel for NHS Funded Services. She is a Governor of London Metropolitan University and Chairman of the Council of The Women's Library. Recent or current cases include the Bristol Water price limits appeal, the Thomas Cook/Co-operative Group/Midlands Co-operative merger inquiry and the Movies on Pay TV market investigation.

Christopher Clarke served as Deputy Chairman between 2004 and September 2010, having been a member since 2001. From 2004 to 2010, he was a non-executive director of Omega Insurance Holdings Limited, and from 1999 to 2008 a non-executive director of The Weir Group PLC. Formerly an investment banker, he was a director of HSBC Investment Banking from 1996 to 1998, and of Samuel Montagu from 1982 to 1996.

Dr Peter Davis was appointed Deputy Chairman in 2006 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. In addition, he currently serves as President of the Association of Competition Economics. 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 include the Payment Protection Insurance market investigation and the Zipcar/Streetcar and Stena/DFDS merger inquiries.

Diana Guy served as Deputy Chairman between 2004 and November 2010, having been a member since 2001. She is a qualified solicitor and was a partner, and later a consultant, at Theodore Goddard (now part of Addleshaw Goddard). During her career she specialized in EU and competition law and was involved in some significant cases before the MMC and the European Commission. She is a non-executive director of Catlin Underwriting Agencies Limited and Catlin Insurance Company (UK) Limited.

Grey Denham was appointed non-executive Council member in 2009. He is a qualified barrister and has spent most of his career in global manufacturing businesses. He specialized 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 Senior Independent Director of Charter International plc and a director and trustee of the charity Young Enterprise. He is 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 was appointed non-executive Council member in 2004. She is Principal of Newnham College, Cambridge, a non-executive director of Ofcom and will be its Deputy Chair designate from January 2012. She is also a member of the Higher Education Funding Council for England. She was formerly a member of the BBC Trust, 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 was formerly a Managing Director in the corporate finance divisions of UBS and then Deutsche Bank. She is a Chartered Accountant (having qualified with Price Waterhouse, now PwC) and since 2002 has been Finance Director of Calculus Capital Limited (a private equity firm). She is also Company Secretary of Neptune-Calculus Income and Growth VCT Plc.

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.

Chief Executive's report

David Saunders Chief Executive

The CC's work this year has focused on completing a number of major regulatory appeals, and taking forward two market investigations (Local Bus Services and Movies on Pay TV). We also completed work on the Payment Protection Insurance market investigation remittal, publishing an order to implement our remedies, and progressed with work on the remedies arising from the BAA market investigation, following the Court of Appeal's judgment reinstating our findings. Unusually, we had received very few merger references until the last two months of the year, and in marked contrast to last year, we have faced no new legal challenges to our procedures or decisions. In addition to our casework, as the Chairman explains in his statement, we have been closely involved during the second half of the year in discussions with the Department for Business Innovation and Skills (BIS) and the OFT about the Government's plans for possible institutional reform and other changes to the competition regime, that were published for consultation in March.

Value of the competition regime

As the Government's consultation document makes clear, the aim of the competition authorities is to secure vibrant, competitive markets, in the interests of consumers, and to promote productivity, innovation and economic growth. 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 the OFT have estimated direct financial benefits to consumers of £465 million for the market investigation regime[1] and £127 million for mergers in 2010/11 (these are annual estimates averaged over the three-year period 2008/09 to 2010/11 and include the work done by both the OFT and the CC). In making these estimates, we recognize that our approach is partial in its scope and subject to considerable uncertainties in its application. At present we have no agreed methodology for estimating the benefits of our regulatory work.

Workload

Figure 1 provides a picture of how our workload has varied over the year. Inquiries vary considerably in their complexity and resource requirements, and this is not reflected in the chart. But it does incorporate our work both on reviews of undertakings and on post-inquiry remedies.

Efficiency, effectiveness and governance

We have delivered further efficiency savings during the year, reducing staff costs by 15 per cent and overhead and other non-staff costs by 14 per cent. At the year-end we have tenants installed in all the space for which we are responsible in Victoria House, although it is likely that we will again need to seek new tenants for some space during 2011/12. The Corporate Services team earns an income of about £300,000 annually from the provision of shared services to our tenants.

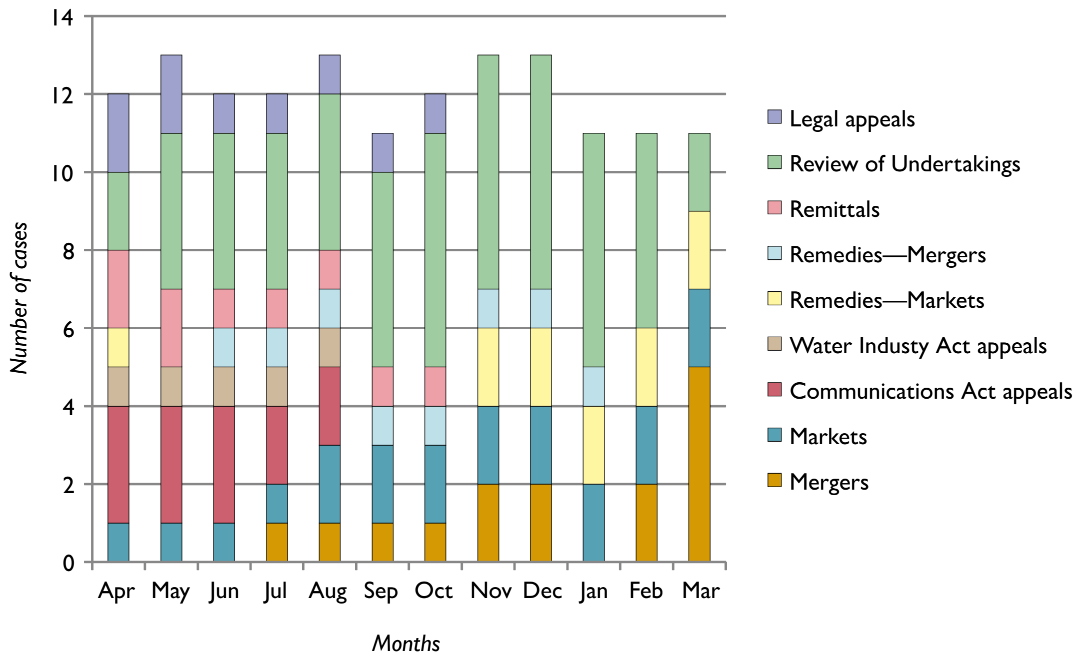
Our budget for 2011/12 is 3.5 per cent less than for 2010/11, following decreases of 11.5 and 3.5 per cent respectively for the previous two years. On current plans, we expect to be able to manage within that total. Because, however, we have no control over our workload, and have to deal with much of our work within statutory deadlines and to a quality that is good enough to withstand rigorous scrutiny and challenge, there must always be a risk that we will be forced due to workload to seek additional resource during the year. That risk is exacerbated by the Government's decision to split our budget (in common with that of other similar government organizations) into programme and administration, and not to allow transfers between the two pots, and the likelihood of our having some tenants vacate during the year.

The Statement on Internal Control demonstrates the improvements that the CC has implemented in terms of its corporate governance arrangements, information assurance and risk management processes during the year. We have reviewed and updated all our main corporate governance documents. The CC continues to work to achieve BS 25999 and ISO 9001 accreditation for its business continuity and management services and to gain the Customer Services Excellence standard for the Corporate Services team.

Process improvements

In December 2009, the Competition Appeal Tribunal (CAT) upheld an appeal against the CC's final report into BAA's supply of airport services on the grounds of 'apparent

Figure 1 **CC workload, 2010/11**



bias' due to what was viewed as a potential conflict of interest involving one of the Inquiry Group members. (We subsequently appealed against this judgment, and the Court of Appeal overturned the CAT judgment and reinstated the findings in our report.) In response to the CAT's judgment, we asked an independent panel to examine the CC's rules and practices in relation to possible conflicts of interest of its members and staff. The panel's report was published in December 2010, and the CC's Council accepted the report's recommendations including the appointment of a compliance officer with responsibility for applying our conflict of interest policies. We will implement the remaining recommendations during 2011/12.

Later sections of this report summarize the activities and outcomes of the work streams set out in our business plan. We have made particularly good progress on preparing and publishing a number of pieces of guidance jointly with the OFT, including the joint merger assessment guidelines, a short guide to merger assessment, a commentary on retail mergers and guidance on merger surveys.

Looking ahead, we will inevitably be heavily engaged in discussions about possible changes to the competition regime and institutional reform, and in responding to whatever decisions Ministers announce in the autumn. It is vital that we nevertheless continue to deliver high-quality competition casework. We are aiming to complete both our current market investigations during 2011/12, and expect our workload to include further regulatory appeals. As usual, it is impossible to be certain what will arrive at our doors, but we will focus on providing a world class response to everything that comes our way, to ensure that we continue to make our full contribution to economic growth and prosperity.

1. Note that the figure for the direct financial benefits to consumers from the market investigation regime is different from those presented as direct benefits for consumers from market studies and reviews in the OFT's *Positive Impact 2010/2011* publication. This is for two reasons. First, the OFT's *Positive Impact 2010/2011* takes into account all of the OFT's market studies, including those where referral to the CC is not considered a possible option. Secondly, the CC's estimates also include references made not by the OFT but by sectoral regulators.

Casework in the review period April 2010 to March 2011

Overall workload

In 2010/11, the CC has progressed two complex market investigations using streamlined processes. For the first half of the financial year, regulatory appeals constituted a considerable proportion of the CC's workload, especially with only one live merger case. This trend was reversed in latter months of the year with several merger referrals being made by the OFT in quick succession. Notably the CC has been engaged in more reviews of undertakings and orders than ever before and this work is summarized on pages 26 and 27.

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

Market investigations	Date of referral	Status at 31 March 2011
Groceries	09/05/2006	Concluded
BAA Airports	29/03/2007	Ongoing
Payment Protection Insurance (remittal)	26/11/2009	Concluded
Local Bus Services	07/01/2010	Ongoing
Movies on Pay TV	04/08/2010	Ongoing
Merger inquiries		
Stagecoach Group plc/Preston Bus Limited	28/05/2009	Concluded
Ticketmaster Entertainment Inc/Live Nation Inc (remittal)	11/02/2010	Concluded
Getty Images Inc/Rex Features Limited	08/07/2010	Cancelled
Zipcar Inc/Streetcar Limited	10/08/2010	Concluded
Dorf Ketal/Vertec, Snapcure and AMCA of Johnson Matthey	19/11/2010	Cancelled
Stena AB/DFDS Seaways Irish Sea Ferries Ltd	08/02/2011	Ongoing
Ratcliff Palfinger/Ross & Bonnyman (Commercial Vehicle Tail Lifts Spare Parts Business)	18/02/2011	Ongoing
Thomas Cook/Co-operative Travel/Midlands Co-operative Society travel business joint venture	02/03/2011	Ongoing
MBL Holdings Limited/TrigoldCrystal	17/03/2011	Cancelled
Sector Treasury Services/ICAP Butlers	31/03/2011	Ongoing
Regulatory appeals		
Bristol Water plc price determination	08/02/2010	Concluded
Carphone Warehouse Group plc v Office of Communications appeal: local loop unbundling price control	27/11/2009	Concluded
Cable & Wireless UK v Office of Communications appeal: leased lines price control	17/12/2009	Concluded
Carphone Warehouse Group plc v Office of Communications appeal: wholesale line rental price control	18/02/2010	Concluded
Reviews of undertakings		
ITV Contract Rights Renewal review of undertakings	29/05/2009	Concluded
Kemira GrowHow Oyi/Terra Industries Inc review of undertakings	18/11/2009	Ongoing
FirstGroup/ScotRail review of undertakings	16/04/2010	Concluded
Northern Ireland Banks review of order	18/05/2010	Concluded
Centrica review of undertakings	08/09/2010	Ongoing
Store Cards review of order	01/10/2010	Concluded
Home Credit review of order	26/10/2010	Concluded

Inquiry reports published 1 April 2010 to 31 March 2011

Market investigation into payment protection insurance: remittal of the point-of-sale prohibition remedy by the Competition Appeal Tribunal

The point-of-sale prohibition is likely to benefit consumers by ensuring greater competition and lower prices.

The benefits of greater competition would substantially outweigh the disadvantages, including the potential inconvenience to some customers.

Outcome: The CC confirmed the prohibition on selling PPI during credit sales, with the exception of retail PPI.

Inquiry Group:
Dr Peter Davis *(Chairman)*
Professor John Baillie
Professor John Cubbin
Malcolm Nicholson

Inquiry background

On 7 February 2007, the OFT referred to the CC for investigation the supply of payment protection insurance (PPI) services in the UK. In its final report (the report), published on 29 January 2009, the CC found that the vast majority of the UK's more than 12 million PPI policies were sold at the same time as a consumer takes out a loan, credit card or other type of credit. The CC found that many consumers were unaware that they could buy PPI policies from other providers, rarely shopped around to compare prices and terms and conditions of PPI policies, and rarely switched providers. The resulting 'point-of-sale' advantage made it difficult for other PPI providers to reach credit providers' customers and in the absence of such competitive pressure, consumers were charged high prices. The CC proposed a package of remedies, which included the point-of-sale prohibition (POSP) which would stop the completion of sales of PPI during the sale of the associated credit product.

The remittal

The remittal followed a legal challenge by Barclays Bank PLC to aspects of the report, including the inclusion of the POSP in the package of remedies. Lloyds Banking Group PLC and Shop Direct Group Financial Services Ltd intervened in support of Barclays; the Financial Services Authority intervened in support of the CC. Whilst upholding the CC's conclusions as to the competition problems in the market, the CAT ruled that the CC had failed to take into account the loss of convenience customers would experience from the imposition of a POSP in its assessment of the proportionality of imposing the remedy. The decision to impose the POSP as part of the remedy package was quashed and remitted to the CC for reconsideration.

Findings

The CC looked at whether there would be a loss of convenience for consumers if the CC introduced a POSP, and its magnitude. It assessed parties' internal documents and various experiments, looking at the possible impact of splitting the processes of credit and PPI, and conducted its own customer survey.

Evidence from the CC's, and others', customer research indicated that some consumers would experience a loss of convenience; others preferred the idea of having a gap between purchases of credit and PPI and would experience a positive benefit from the introduction of a POSP. The CC survey was used to derive the cost of the loss of convenience for customers who preferred to buy credit and PPI at the same time, and for those who preferred a gap between the two sales.

The CC looked at parties' plans in light of its investigation to reach a view on whether parties would continue to sell PPI with a POSP in place, and concluded that it expected nearly all main parties to stay in the market. Moreover, it expected that large PPI providers would enter the stand-alone market. This gave the CC added confidence that, with the remedy package in place, there would be competition between PPI providers.

The CC found that the parties had overstated the loss of convenience that would result from the introduction of a POSP even before taking into account the benefits of the remedy package. It reassessed the proportionality of the remedy package, taking account of the loss of convenience, and found that the benefits of putting the remedy package in place easily outweighed the costs.

The CC concluded that the introduction of the remedy package, including the POSP, would be an effective and proportionate remedy to the competition problems identified for all PPI products, with the exception of retail PPI—where research suggested that customers would not use the time to consider alternative insurance options because the monthly premiums were regarded as being small.

Conclusions

The CC came to a clear view that, overall, customers would benefit significantly from the market reforms that it was introducing. The benefits of a package of remedies including the POSP, by introducing greater competition and choice and lower prices to the market, will outweigh the disadvantages, in particular the potential inconvenience to some customers.

Remedies

Our final package of remedies consists of the following key elements:

- a prohibition of the sale of PPI during the sale of the credit product, and for seven days afterwards, although the customer can ask for cover 24 hours after being sold the loan;

- a prohibition of the sale of policies that charge a single insurance premium for the term of the credit being sold; and

- requirements for PPI providers to include 'key messages' in PPI advertising; provide information to the Consumer Financial Education Body and the OFT; and provide a standardized quote and annual statement to customers.

The remedy package for retail PPI includes clearer information to be provided to customers on the cost of retail PPI and their rights; a requirement to offer retail PPI separately from merchandise insurance cover; and a requirement for providers to supply information to the Consumer Financial Education Body for its price comparison table.

Outcome

The CC confirmed its decision to include the POSP in a remedies package for all types of PPI except retail PPI.

Remedies were implemented by means of an Order which commenced on 6 April 2011. Obligations to comply with the Order came into force on that date and the requirements to provide information to third parties and the provision of information in marketing material will come into force on 1 October 2011. All elements of the remedy package will be in force by 6 April 2012.

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/inquiries/ref2010/ppi_remittal/index.htm.

Merger inquiry into the anticipated merger of Ticketmaster Entertainment Inc and Live Nation Inc

The merger involved the primary retailing of live music tickets, live music promotion and live music venues in the UK.

The merger would not significantly affect the likelihood and effects of foreclosure to other ticketing agents or promoters.

Outcome: The merger was cleared.

Inquiry Group:
Christopher Clarke *(Chairman)*
Jeremy Peat
Richard Taylor
John Longworth

Inquiry background

The inquiry concerned the anticipated merger of Ticketmaster Entertainment Inc (Ticketmaster), a ticket agent selling tickets for a range of live events, and Live Nation Inc (Live Nation), a live music promoter and venue operator. Both companies operate worldwide but have a significant presence in the UK.

The merger was originally referred to the CC on 10 June 2009, and the CC published its final decision clearing the acquisition on 22 December 2009. This decision was appealed by CTS Eventim AG (Eventim) and on 11 February 2010 the CAT ordered that the CC decision be quashed and reconsidered. In the meantime, in January 2010, the parties completed the merger. The CC published its revised final report on 7 May 2010.

Findings

Ticketing

The CC considered the effect of the merger on the possible entry by Eventim, Ticketmaster's largest global competitor, and on existing UK ticket agents.

The CC found that there was a separate market, no wider than the UK, for the primary retailing of live music tickets, directly to consumers by promoters/venues and via ticketing agents but excluding sales made in person at the box office.

The CC found that, without the merger, an agreement between Live Nation and Eventim would have seen the latter enter on a small scale. However, Eventim would have needed a large-scale operation to affect materially the extent of competition in the UK, and its ability to enter in this way was not affected significantly by the merger. The main barriers to large-scale entry were the significant investments in marketing and brand development, which were required to sell large volumes of tickets, and the presence of long-term preferred relationships between existing ticket agents and promoters/venues.

The CC found that, due to its contract with Ticketmaster, Live Nation had sold few tickets through other agents and, under its proposed contract with Eventim, there was little prospect of Live Nation increasing this number. Therefore, the CC found that competition between ticket agents would not be affected significantly if the merged company were to deny access to Live Nation's tickets. Further, the merged company would incur costs as a promoter/venue operator if it tried to limit further its use of other ticket agents.

Promotions and venues

The CC found that there was a separate market for the promotion of live music events in the UK.

The CC found that the merged company was unlikely to have the incentive significantly to change its use of other live music promoters and venue operators. For example, the CC found that, if the merged company sold fewer tickets for other promoters and venue operators, it would suffer reduced revenues from forgone ticket sales, with only uncertain prospects for any benefits from increased business as a promoter or venue operator.

Conclusion

The CC concluded that the merger of Ticketmaster and Live Nation was unlikely to result in a substantial lessening of competition in any UK market.

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/inquiries/ref2009/ticketmaster/index.htm.

Merger inquiry into the completed acquisition by Zipcar, Inc of Streetcar Limited

The merger involved the two leading operators of car clubs in London.

Other companies were likely to enter and expand into the rapidly growing market, which would counter any danger of the merged company being able to raise prices or worsen the services it provides to its customers.

Outcome: The merger was cleared.

Inquiry Group:
Dr Peter Davis *(Chairman)*
Roger Finbow
John Longworth
Anthony Stern

The market

The inquiry concerned the completed acquisition by Zipcar, Inc (Zipcar) of Streetcar Limited (Streetcar), the largest car clubs in London.

Car clubs provide, for hourly or daily rental, vehicles located in on-street parking bays allocated by local authorities and off-street bays purchased or rented from private individuals or developers. Customers pay membership and usage fees, book vehicles online, by telephone or mobile app and access vehicles through keyless technology.

The CC used a product market of car club services as the framework for analysis, but took into account potential substitution to alternative options (such as taxis, public transport and traditional car hire) in assessing the effect of the merger on competition.

Findings

Loss of competition during the tendering by local authorities of on-street parking

The CC found this unlikely as car clubs constituted a small proportion of demand for on-street parking. London boroughs expressed little concern about the loss of a potential bidder, and six boroughs had only ever had one car club interested in their spaces before the merger.

Increased barriers to entry through the merged company obtaining a larger share of on-street parking than before the merger

The CC also found this unlikely. London boroughs used many criteria when allocating on-street spaces. Criteria which might favour larger or more established car clubs were unlikely alone to determine bids and could be changed by boroughs if they led to undesirable outcomes.

Loss of competition for members

The CC found that there would be a loss of competition for members as constraints on the parties from other car clubs and other transport options would be insufficient to prevent short-term price rises by the merged company for hire periods greater than a few hours but less than 8 to 10 hours.

However, this loss of competition would be replaced in the medium term by a combination of new entry and expansion as the rapid growth of the market outweighed barriers to entry such as access to on-street parking. The CC found evidence of two entrants with well-developed entry plans, consideration of entry by large companies in adjacent markets, and expansion plans by other car clubs.

Conclusion

The CC found that the merger may not be expected to result in a substantial lessening of competition in the car club market in London.

Remarks: access to on-street parking

The CC noted that about half of the London boroughs allocating on-street parking to car club operators did so to a single operator, creating an artificial competitive distinction between clubs with on-street parking and those without. Such policies may slow the growth of the market. The CC's report highlighted that development of the market would be assisted by local authorities avoiding any such exclusivity, or limiting it to a year or less for initial piloting of car club schemes.

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/inquiries/ref2010/zipcar_streetcar/index.htm.

Bristol Water plc price determination

Ofwat was required by Bristol Water under the Water Industry Act 1991 to refer to the Competition Commission its determination of Bristol Water's price limits for 2010–15.

Outcome: The CC increased Bristol Water's price limits by a small amount above the limits set by Ofwat.

Inquiry Group:
Laura Carstensen *(Chairman)*
Roger Davis
Richard Farrant
Professor Robin Mason
Edward Smith

The reference

Bristol Water disputed the price determination made by Ofwat in November 2009. The CC had to determine the adjustment factor 'K', which limits the price that Bristol Water may charge for supplying water for the period 2010–15. The CC based Bristol Water's price cap on the revenue it considered that Bristol Water required to cover its efficiently-incurred capital expenditure (capex) and operating expenditure (opex), as well as a return on its regulatory capital value (RCV) equal to its expected cost of capital.

Findings

Capex

Capex is divided into (a) capital maintenance (ie investment to maintain stable serviceability) and (b) enhancement capex (which improves supply demand balance, resilience, or water quality). Bristol Water wanted to increase investment greatly but Ofwat believed that was not necessary because Bristol Water had achieved stable serviceability. Regarding specific capital maintenance proposals, the CC:

- agreed with Ofwat's decisions to refurbish the Line of Works Aqueduct and to increase Bristol Water's meter replacement rate;
- allowed funding for a mains relining scheme because the Drinking Water Inspectorate required Bristol Water to give a legally binding undertaking on this;
- decided that an increased rate of mains replacement of 47.5 km per year was appropriate, as advised by Halcrow, the CC's consulting engineers on the reference; and
- allowed funding for work at two reservoirs due to issues that had arisen since Ofwat's determination.

The CC considered Ofwat's asset management assessment (AMA) (intended to ensure efficient capital maintenance) and found that this might have produced an excessive challenge. The CC allowed as exceptional several schemes outside the AMA.

With regard to enhancement capex, the CC:

- approved Bristol Water's plans to reduce leakage;
- approved plans for preparatory work at Cheddar Reservoir;
- did not approve a scheme to return the Honeyhurst source to use;
- approved an increase in expenditure to allow an increased rate of selective meter optants;
- did not approve proposals for a smart meter trial; and
- made some minor adjustments regarding new connections.

With regard to Bristol Water's proposed investment to enhance resilience, the CC doubted the data and methodology used in Bristol Water's cost benefit analysis. The CC took into account how long water supplies could reasonably be expected to last should particular assets fail, how many people might be affected and the cost of implementing mitigation systems. The CC approved Bristol Water's plans for Victoria Pumping Station and Durdham Down, but not its Oldford, Tetbury or Southern resilience schemes.

The CC agreed with the principle of Ofwat's capex incentive scheme intended to encourage realistic and well-evidenced capex planning, considered it was sufficiently transparent, and saw no need to adjust Ofwat's determination in this regard.

Opex

The CC adjusted Bristol Water's opex allowance over the review period when satisfied that costs would increase and that reasonable management action could not mitigate the increase. The CC recommended that Ofwat put in place a notified item (NI) where costs might increase but the amount and timing were uncertain and mitigation could not be achieved effectively by management action. This would allow the company or Ofwat to seek a price adjustment between periodic reviews. The CC recommends NIs sparingly because they undermine the RPI + K formula, since they are more akin to a 'cost plus' method of regulation.

With regard to specific opex items, the CC decided:

- for pension-related items, Bristol Water should be funded to recover 90 per cent of the deficit in its defined benefit schemes as at 31 December 2009 over a 15-year period;
- to adjust Bristol Water's bad debt allowance and recommend that Ofwat should put in place an NI that Ofwat or Bristol Water could trigger;
- an NI was not appropriate for energy costs;
- no opex adjustment was needed for training costs;
- to make an opex allowance for abstraction charges, in the light of additional information obtained from the Environment Agency confirming its forecast increases in charges;
- no allowance was needed for Highways Agency inspection costs; and
- no changes were needed to the water efficiency targets.

The CC found the opex efficiency target that Ofwat had set for Bristol Water reasonable, namely continuing efficiency improvements of 0.25 per cent a year and relative efficiency improvement of 0.92 per cent a year.

The CC did not recommend an NI for possible tax changes but adjusted the treatment of depreciation.

Cost of capital

The CC considered that Bristol Water's return on its RCV should be equal to its expected cost of capital. A return below the cost of capital would not be consistent with the CC's duty to secure that Bristol Water can finance the proper carrying out of its functions, and a return above the cost of capital would not be consistent with the consumer objective.

The CC considered Bristol Water as a stand-alone company as required in its licence and over the five-year review period.

The CC estimated the cost of capital to be 5 per cent.

Before determining the price control, the CC also assessed whether its findings on capex, opex and cost of capital would prevent Bristol Water's retaining investment grade issuer status (which is a condition of its licence).

Conclusions

The CC determined that K should be:

- 0.6 in 2010/11 (the amount set by Ofwat);
- 3.9 in 2011/12;
- 3.9 in 2012/13;
- 3.9 in 2013/14; and
- 3.8 in 2014/15.

For comparison, Ofwat had determined that K should be:

- 4.2 in 2011/12;
- 4.0 in 2012/13;
- 0.3 in 2013/14; and
- –0.2 in 2014/15.

The effect of this would be that the average customer bill would rise from £157 in 2009/10 to £180 by 2014/15.

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/inquiries/ref2010/bristol/index.htm.

Cable & Wireless UK v Office of Communications appeal (Case No 1112/3/3/09)

Appeal under the Communications Act 2003 made by Cable & Wireless UK (C&W) against the 2009 leased lines charge control (LLCC) decision of the Office of Communications (Ofcom).

Outcome: C&W's appeal was upheld in part. Price cap of regulated products reduced.

Appeal Group:
Christopher Clarke *(Chairman)*
Stephen Oram
Jonathan Whiticar
Roger Witcomb
Fiona Woolf CBE

The appeal

The appeal concerned the price control decided by Ofcom in its LLCC Statement (statement entitled *Leased Lines Charge Control—a new charge control framework for wholesale traditional interface and alternative interface products and services* dated 2 July 2009) which provided a set of price control mechanisms for wholesale leased line products.

The appeal to the CAT was made in September 2009. The specified price control matters arising in the appeal were referred to the CC in December 2009. British Telecommunications plc (BT) intervened in support of Ofcom; Verizon UK Limited (Verizon) intervened in support of C&W.

Leased lines are products purchased by business customers to connect their various business premises together. The case related to wholesale leased line services that are provided by BT Wholesale to other communication providers who are in competition with BT (and to the retail divisions of BT) that can be used to offer leased lines or other business connectivity services to business users.

The pricing of these services is complex and the regulatory regime focuses on baskets of services, allowing BT a degree of pricing discretion subject to certain rules. The claims made were highly technical and the appeal was amended during the case as certain information became available to the appellant.

Findings

The CC upheld C&W's appeal in part, finding that Ofcom had erred:

- in permitting price increases for certain services (2 Mbit/s Local Ends);
- in the allocation of costs in that an incorrect adjustment for '21CN' and 'SiteConnect' costs had been made;
- in its use of BT's estimates of the costs for 'point of handover' charges;
- in its assessment of the appropriate basis for setting point of handover charges, taking into account their potential competitive effects; and
- in the level of discretion that it gave to BT in setting the initial point of handover charges.

The CC did not uphold C&W's appeal in relation to its other claims. These included claims that Ofcom:

- had not taken appropriate account of the EC Leased Lines Recommendation;
- had erred in permitting certain price increases because the resulting structure of charges was inefficient, discriminatory and anti-competitive;
- should have made certain adjustments to the figures used in its charge control cost model;
- had erred in the calculation of the relevant cost of capital; and
- had erred in not treating promotion of competition as its primary objective or had erred in its assessment of what the promotion of competition would require.

(A full list of the claims not upheld by the CC can be found in the full report.)

Remedies

Having found that Ofcom had erred in relation to part of its LLCC decision, the CC considered what adjustment should be made to the price control.

The CC determined that:

- the price increases for 2 Mbit/s Local Ends be reversed without remittal to Ofcom;
- the erroneous 21CN and SiteConnect adjustments should be corrected to figures specified by the CC;
- Ofcom should assess the reasonableness of revised point of handover costs submitted by BT and determine the appropriate charge;
- Ofcom should reassess the appropriate basis for setting point of handover charges, taking account of the CC's findings relating to the assessment of potential competitive effects; and
- Ofcom should reconsider how to recover point of handover costs, taking account of the CC's findings as to the degree of discretion that was appropriate to grant to BT.

The CC put forward a method whereby prices following the CAT's decision could be set in such a way as to recoup any overcharge (resulting from the errors the CC found) in the elapsed period of the price control during the remaining period of the price control. (This is described as the 'elapsed period adjustment'.)

Outcome

The CC reported to the CAT.

The CAT made an order directing Ofcom to implement the adjustments to the price control, as specified in the CC's determination, excepting the elapsed period adjustment which was no longer sought by C&W. Since then Ofcom has consulted on certain of the matters remitted to it.

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/appeals/communications_act/completed_cases.htm.

The Carphone Warehouse Group plc v Office of Communications (Case No 1111/3/3/09)

Appeal under the Communications Act 2003 made by the Carphone Warehouse Group plc (CPW) against a local loop unbundling (LLU) price control decision of Ofcom.

Outcome: CPW's appeal was upheld in part. Price cap of regulated products reduced.

Appeal Group:
Peter Freeman CBE QC *(Chairman)*
Professor John Cubbin
Tony Morris
Professor Sudi Sudarsanam

The appeal

The appeal concerned the prices decided by Ofcom in its LLU Statement (statement entitled *A new pricing framework for Openreach* dated 22 May 2009) which determined the maximum prices Openreach could charge communications providers for certain wholesale telecommunication services; specifically, services used to deliver home broadband services via the local copper loop. The local copper loop is the copper line from a customer's premises to the local telephone exchange.

The appeal to the CAT was made in July 2009. The specified price control matters arising in the appeal were referred to the CC in November 2009. British Telecommunications plc (BT) intervened in support of Ofcom; BSkyB plc (Sky) intervened in support of CPW.

Findings

The CC upheld CPW's appeal in part, finding that Ofcom had erred:

- in its assessment of the rate of efficiency savings that Openreach could be expected to achieve over the period of the price control;
- in its assessment of the appropriate level of inflation to apply to Openreach's wage and energy costs;
- in not setting individual price caps on the ancillary services baskets; and
- by not safeguarding against price manipulation within one of the ancillary services baskets (the co-mingling basket).

The CC did not uphold CPW's appeal in relation to the other parts of its appeal, finding that Ofcom had not erred:

- in its allocation of BT's and Openreach's costs to the regulated products;
- in its assessment of the cost of capital of Openreach;
- in its allocation of costs between the regulated products; or
- in relation to the path of prices over the period of the price control (the glide path).

Remedies

Having found that Ofcom had erred in relation to part of its LLU decision, the CC considered what adjustment should be made to the price control.

For the *unelapsed* period of the price control it was determined that:

- the maximum price Openreach could charge communications providers for metallic path facility (MPF) and shared metallic path facility (SMPF) rentals should be reduced;
- one ancillary services product (MPF New Provide) should be moved into a separate basket with its own individual price cap; and
- no further price increases should be applied to the co-mingling basket.

For remedying detrimental effects in the *elapsed* period of the price control (the elapsed period adjustment), the CC:

- set out a methodology for the price cap adjustment to MPF and SMPF rentals, under the assumption that it was legal and appropriate to make an elapsed period adjustment;
- did not provide an adjustment for the ancillary services as it did not consider it reasonably practicable to so; and
- did not provide an adjustment for the co-mingling basket as it did not consider there to have been an overpayment in the elapsed period of the charge control.

Outcome

Subsequent to the CC delivering the determination to the CAT, CPW made an application for relief in the form of an elapsed period adjustment. This application was later withdrawn. The CAT made an order directing Ofcom to implement the adjustments to the price control, as specified in the CC's determination.

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/appeals/communications_act/completed_cases.htm.

The Carphone Warehouse Group plc v Office of Communications (Case No 1149/3/3/09)

Appeal under the Communications Act 2003 made by the Carphone Warehouse Group plc (CPW) against a wholesale line rental (WLR) price control decision of Ofcom.

Outcome: Ofcom's WLR decision was upheld. No change to the price cap of regulated products.

Appeal Group:
Peter Freeman CBE QC *(Chairman)*
Professor John Cubbin
Tony Morris
Professor Sudi Sudarsanam

The appeal

The appeal concerned the prices decided by Ofcom in its WLR Statement (statement entitled *Charge controls for Wholesale Line Rental and related services* dated 26 October 2009) which determined the maximum prices Openreach could charge communications providers for certain wholesale voice services.

The appeal to the CAT was made in December 2009. The specified price control matters arising in the appeal were referred to the CC in February 2010. British Telecommunications plc (BT) intervened in support of Ofcom; BSkyB plc (Sky) intervened in support of CPW.

Findings

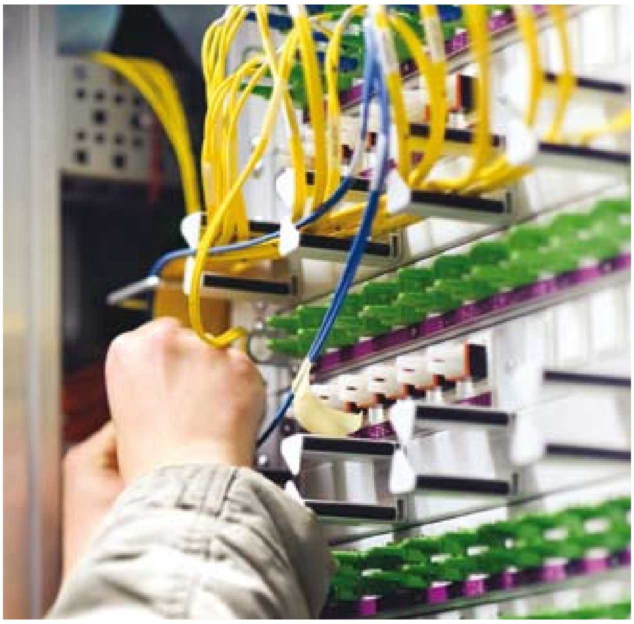
CPW argued that Ofcom had erred in relation to the price differential between, on the one hand, the allowable prices for WLR and/or WLR and SMPF (WLR is a voice service; WLR with SMPF enables the provision of voice and broadband services) purchased by communications providers from Openreach) and, on the other hand, MPF (a dual voice and broadband product, also purchased from Openreach).

The first of the reference questions concerned Ofcom's approach of setting the price differentials on the basis of a current cost accounting and fully allocated costs (CCA FAC) basis rather than on a long-run incremental cost (LRIC) basis. The reference question also asked us to consider whether Ofcom erred in its calculation of LRIC as a means of cross-checking its CCA FAC approach. CPW argued that Ofcom had erred in its approach by failing to set a differential on a LRIC *plus a mark-up* basis.

The second of the reference questions concerned the appropriate approach to evaluating the differentials between the WLR and LLU price controls. The main issues the CC had to consider were whether Ofcom should have set the WLR price controls at a level such that the differentials between:

- the price for WLR and the price for MPF; and
- the combined price for WLR and SMPF, and the price for MPF,

would be greater than the differences between the LRICs of those services.



The CC considered the parties' arguments in detail but rejected all the challenges made by CPW and found that Ofcom had not erred.

Outcome

In light of the CC's determination, the CAT upheld Ofcom's decision and the WLR price controls remained unchanged.

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/appeals/communications_act/completed_cases.htm.

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 CCs post-inquiry activities for the financial year 2010/11 is shown in the table below.

CC activity after publication of final report 2010/11

Investigation	*Groceries*	*Payment Protection Insurance*	*BAA Airports*	*Stagecoach Group/ Preston Bus*
Type of investigation	Market	Market	Market	Merger
Type of remedy	Structural/Behavioural	Structural/Behavioural	Divestiture/Behavioural	Divestiture
Date of publication of final report	30 April 2008	29 January 2009	19 March 2009	11 November 2009
Method of implementation	Order	Order and recommendation	Undertakings and recommendations	Undertakings
Date on which remedy fully implemented (all outcomes coming into force)	30 April 2010	6 April 2011	Ongoing	25 January 2011
Implementation activity in 2010/11	Dealing with residual issues on the Controlled Land Order	Publication of PPI Remittal report. Consultation and publication of Order.	CC appeal of CAT decision to Court of Appeal. Consultation with airlines and BAA on Heathrow capital expenditure consultation remedy. Determining provisional decision on change of circumstances regarding proposed divestitures.	Overseeing divestiture following CAT judgment
Status as at March 2011	Complete	PPI Order 2011 made and consulted on. Order to come into force 6 April 2011	Finalizing decision on change of circumstances.	Complete

Market investigation into BAA Airports

The CC conducted an investigation into the supply by BAA of airport services in the UK between 2007 and 2009. The CC's findings, set out in the report published in March 2009, were appealed to the CAT by BAA; in December 2009 the CAT found in BAA's favour on one ground. The CC appealed this decision to the Court of Appeal, and in October 2010 the Court of Appeal found in the CC's favour and restored the decision made in our 2009 report.

BAA sought permission to appeal the Court of Appeal's decision to the Supreme Court, but in February 2011, the Supreme Court refused permission to appeal.

Certain remedies set out in the report were unaffected by the challenge, and during the appeals the CC worked with BAA and others on their implementation. As soon as the Court of Appeal restored the CC's original decision, work restarted on implementing those aspects of the report which had been the focus of the appeals—the requirement to divest airports.

In November 2010, the CC invited views on whether there had been any material changes in circumstances since the report's publication such that divestments of Stansted Airport and either Glasgow or Edinburgh Airport should not proceed as set out in the report.

The CC then conducted an assessment of whether there had been any material changes in circumstances which should lead to a change in remedies, publishing its provisional consideration of this in March 2011.

The CC is currently considering comments upon its provisional findings.

Reviews of undertakings and orders

Summary of reviews

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

Between 1 April 2010 and 31 March 2011, the CC completed five reviews of undertakings and orders: ITV's Contracts Rights Renewal undertakings; FirstGroup's Scottish Passenger Rail (ScotRail) franchise undertakings; the Northern Ireland PCA Banking Market Investigation Order 2008 (the NI Banks Order); the Home Credit Market Investigation Order 2007 (the Home Credit Order); and the Store Cards Market Investigation Order (the Store Cards Order). Two further reviews of undertakings were ongoing as of 31 March 2011: Kemira/Terra undertakings and Centrica/Dynegy undertakings. The review of the Kemira/Terra undertakings was completed on 18 May 2011 when the CC released the parties from certain undertakings. The final report of the review of the Centrica/Dynegy undertakings was published on 20 April 2011 and implementation of the variations to the undertakings are in hand.

ITV's Contracts Rights Renewal undertakings

In 2003, the CC investigated the merger between Carlton and Granada to form ITV. The CC concluded that the merger should only be allowed to proceed subject to certain conditions, including that a remedy be put in place to protect advertisers in the sale of commercial advertising airtime on its main ITV1 channel. The remedy would also protect other commercial broadcasters. This remedy was described as the contracts rights renewal (CRR) remedy.

The CRR remedy gave all existing customers of ITV1 the option of renewing the terms of their pre-merger contracts and set out a mechanism by which any share of broadcast commitment to ITV1 would vary in direct proportion to ITV1's share of commercial impacts. An independent Office of the Adjudicator was also established at ITV's expense to rule on contractual disputes.

Following a request from ITV that it conduct a review of the CRR remedy, in May 2009 the OFT published advice which stated that there had been a change of circumstances since 2003 which meant that the CC should review the CRR Undertakings and consider variations to them.

As a result of its review, the CC found that there had been some significant changes in the television industry since 2003 and that ITV1's market position was not as strong as in 2003. Nevertheless ITV1 retained an enhanced market position as a result of the merger between Carlton and Granada, primarily due to its unique ability to deliver large audiences to advertisers. The CC concluded that these changes of circumstances since 2003 did not warrant ITV's release from the CRR Undertakings and that a remedy was still required to address the likelihood that adverse effects would otherwise arise. In particular, the CC was concerned that, absent an effective remedy, ITV would be able to worsen terms to advertisers overall through seeking a higher share of broadcast commitments, reducing discounts or worsening terms and conditions. If ITV used its enhanced market position to increase share of broadcast commitments from media buyers, this would reduce the amount advertisers would spend on other commercial broadcasters.

The CC also found that CRR had created some costs, primarily in deterring ITV from providing a time-delayed (ITV1+1) service or a high-definition (ITV1 HD) service.

The CC considered a number of alternatives to CRR, including a proposal from ITV, and found that these alternatives would not be able to remedy effectively the adverse effects of the merger. However, the CC concluded that changing the definition of ITV1 in the CRR Undertakings to include ITV1+1 and ITV1 HD services would address the change of circumstances.

Revised undertakings were accepted by the CC in September 2010 to allow ITV to include impacts from ITV1 HD and ITV1+1 in the CRR calculation. ITV launched ITV1 HD on 2 April 2010 and ITV1+1 on 11 January 2011.

FirstGroup's ScotRail undertakings

In 2004, the CC published its report into the proposed acquisition by FirstGroup of the ScotRail franchise. The CC found that the proposed acquisition would lead to a substantial lessening of competition on certain routes. By way of remedy, the CC accepted Undertakings from FirstGroup which placed restrictions on FirstGroup for the duration of the franchise. The Undertakings included a restriction on FirstGroup from altering the service level and fares on a number of local bus services which it operates in and around Edinburgh and Glasgow.

In December 2009, FirstGroup submitted an application to the OFT for the Undertakings to be varied to allow it to make changes to certain routes (the Relevant Controlled Routes).

In April 2010, the OFT advised the CC that there had been a change of circumstances in that the costs of operating the Relevant Controlled Routes had increased and/or passenger numbers had decreased such that the Relevant Controlled Routes had failed to cover variable costs on a persistent basis and there was no further remedial action that FirstGroup could reasonably take.

Following its review, the CC found that there was no reasonable prospect of the Relevant Controlled Routes becoming profitable. The CC found that FirstGroup's request for variation had not been made for the purpose of switching passengers from bus to rail services, which was the concern identified in the CC's 2004 inquiry. The changes did not therefore undermine the purpose of the original Undertakings. The CC found that alternative bus services were available on the parts of routes concerned—many of these services were operated by FirstGroup and would remain controlled by the Undertakings.

The CC varied the Undertakings to allow FirstGroup to withdraw seven loss-making bus routes and modify a further eight in Glasgow and Edinburgh. The CC refused permission to modify one other route in Glasgow.

Reviews of three market investigation orders

The OFT sent advice to the CC that there was a change of circumstances in relation to the Orders made following the CC's market investigations into each of personal current accounts in Northern Ireland, home credit and store cards. The change of circumstances arose as a result of the introduction of two maximum harmonization European Directives: the Payment Services Directive (PSD) and the Consumer Credit Directive (CCD). The PSD was transposed into national legislation by the Payment Services Regulations 2009 and came into force for most purposes on 1 November 2009. The CCD was transposed into UK law via a group of six Consumer Credit Act 1974 Regulations which came into force on 30 April 2010 and 26 August 2010 and were required to be complied with in full from 1 February 2011.

The CC assessed whether there were aspects of each of the three Orders which duplicated or were incompatible with the PSD or the CCD, and found that each of the three Orders needed to be varied. The Store Cards and Home Credit Orders required only minimal changes. However, the changes required to the NI Banks Order were substantial, and as a result the CC considered it necessary to revoke the 2008 NI Banks Order and make a new Order to reflect the changes, which were primarily concerned with the provision of information to customers.

Work streams

The delivery of the CC's core work is supported and developed by five work streams which have a key role in ensuring that appropriate guidance, policies, procedures and processes are in place to support the Inquiry Groups in their decision-making and ensuring that the CC is effectively managed.

Progresses against the objectives of the five key work streams are detailed in the following pages.

Work stream 1: Make the CC's investigations more efficient and effective and manage inquiries well

Persons responsible: Senior Director, Inquiries (Rachel Merelie), and Chief Legal Adviser (Roland Green)

This work stream seeks to ensure that the CC achieves its objectives of delivering value for money by using cost-effective processes and conducting rigorous inquiries in a manner which is fair and transparent and which minimizes the burden on businesses affected by them.

Key issues for 2010/11	*Outcome*
Make the CC's investigations more efficient and effective	• A streamlined process is being piloted in the two most recent market investigation references • Detailed merger procedural guidance has been published for consultation • The telecoms appeals procedure has been reviewed and guidance published
Share best practice internally and improving the clarity of CC documents	• Greater focus on theories of harm throughout the inquiry • Quality assurance processes have been reviewed and improved • Greater focus on inquiry progress and lessons learned at end of inquiry
Make the best use of resources	Closer focus on inquiry budgets

Make the CC's investigations more efficient and effective

Market investigations

In 2010/11 the CC made particular progress in its conduct of market investigations. The Local Bus Services market investigation was referred from the OFT in January 2010 and Movies on Pay TV from Ofcom in August 2010. In both cases, the CC sought as much information as possible from the referring body ahead of reference so that it could start to develop its theories of harm, ensure the best possible use of information collected by the referring body, and target its information gathering appropriately. The CC published an early issues statement, setting out a first view of the theories of harm and providing a framework for the analysis, ahead of initial submissions by the parties.

No emerging thinking document has been published in either case. Instead, working papers have been published, together with an overview document (an updated issues statement in the case of Buses, and an updated theories of harm paper in the case of Movies on Pay TV). One round of formal hearings has been held prior to the publication of provisional findings.

The CC expects to publish its provisional findings on Pay TV within a year of reference. This has been achieved by conducting a focused investigation and building on the extensive work carried out by Ofcom. The timetable has been more challenging on the Local Bus Services market investigation which involves multiple parties and particularly complex issues, but nevertheless we published our provisional findings within 16 months of reference and have carried out a relatively robust and resource-efficient process.

Merger inquiries

The CC completed only one merger reference in 2010/11 (Zipcar/Streetcar). Provisional findings were published in 14 weeks from the date of reference and the final report in 19 weeks. There were also three mergers referred to the CC which were subsequently cancelled. Four mergers were referred in the last two months of 2010/11 which are continuing in 2011/12.

The CC made good progress during 2010/11 in drafting its merger procedural guidance; this was published for consultation in April 2011.

Regulatory inquiries and appeals

The CC received four regulatory inquiries or appeals during 2009/10 which were completed in 2010/11. One of these was an appeal by Bristol Water against the 2010 price control; the other three were appeals under section 193 of the Communications Act 2003. Following completion of the three appeals under the Communications Act, we decided to carry out a review of our procedures, involving both internal and external stakeholders, in order to identify how we could make the process more efficient and effective in anticipation of further likely appeals in 2011/12. We published the outcome of our review, together with draft procedural guidance for consultation, in February 2011; our final guidance was published in April 2011.

Conflicts of interest

The CC commissioned an independent review of its conflicts procedures for members and has accepted and put in place procedures to implement its recommendations.

Share best practice internally and improve the clarity of CC documents

During the early part of 2010/11 we looked again at our quality assurance processes. This focused in particular on possible improvements to:

- internal progress meetings on individual inquiries, including those outside the core inquiry team, to discuss analytical and procedural risks and identify next steps;
- ongoing review by senior professional advisers of the direction of travel on an inquiry (which should ensure that theories of harm are embedded throughout the inquiry);
- internal peer review of draft provisional findings and, on market investigations, on the draft provisional decision on remedies; and
- external forensic review on particularly complex or sensitive cases by Counsel.

These improvements are now being rolled out on current cases. We expect this, together with existing processes (for example, the end-of-inquiry evaluations) and improved internal processes for capturing lessons learned that have cross-cutting relevance to our different regulatory jurisdictions, to lead to better sharing of best practice, more robust decision-making and improved clarity of CC documents.

Make the best use of resources

In the current climate, we are paying particular attention to our staffing of inquiries. In addition to the streamlined market investigation procedures and our review of appeals under the Communications Act, we continue to identify ways in which we can reduce resources as far as possible on merger inquiries, particularly where these are relatively small transactions, whilst continuing to ensure robust decisions.

Work stream 2: Make the right decisions

Persons responsible: Chief Economist (Alison Oldale) and Director of Financial Analysis (Lucy Beverley).

The aim of this work stream is to support the CC in meeting its objective of making the right decision by developing the CC's approach to competition analysis in merger inquiries and market investigations, and to the assessment of regulatory appeals, in accordance with world class standards.

Key issues for 2010/11	*Outcome*
Revise published guidance	Revised Merger Assessment Guidelines have been published jointly with the OFT
Provide guidance on a wider range of issues	During the year the following has been published jointly with the OFT: • a commentary on the way the CC and OFT have assessed retail mergers in past cases; and • a best practice guide for parties that want to submit survey evidence.
Debate, research, and ex post evaluation	An important focus for the year was on the analysis of regulatory appeals: • The Finance and Regulation Group debated issues emerging from regulatory inquiries and provided advice to Inquiry Groups on cost of capital. • An internal database was created that captured learning from past inquiries and other sources about the analytical approach for regulatory appeals. • Members and staff received in-depth training on the regulatory framework in telecommunications. A number of internal seminars were also held to debate issues in the analysis of market investigations, as part of the review of the market investigation guidelines. An ex post evaluation of a selection of retail mergers was commissioned.

Revise published guidance

2010/11 saw significant progress in updating our published guidance:

- In September 2010 we published revised Merger Assessment Guidelines. This was a joint publication with the OFT, setting out a common analytical framework for assessing mergers. The guidelines reflect extensive consultation with stakeholders, and with agencies in the USA and the EU Directorate General for Competition (DG Comp), and are recognized as embodying leading thinking on merger assessment.

- In March 2011 the CC published, jointly with the OFT, a quick guide to help businesses understand what to expect from the competition authorities when they investigate a merger. The publication complements the detailed joint Merger Assessment Guidelines.

- The CC has also initiated a revision of the Market Investigation References Guidelines, with an initial consultation on areas for revision. Good progress was made and a draft of significant sections of revised guidance was published for consultation in April 2011.

Provide guidance on a wider range of issues

During 2010/11 the CC published documents providing further information for parties and their advisers about our approach:

- In March 2011, a commentary on the way the CC and the OFT have assessed retail mergers in past cases was published jointly with the OFT. Both authorities have dealt with a large number of significant retail mergers, and the commentary aims to provide useful background information for parties notifying such a transaction about how a particular case might be assessed.

- The CC and the OFT produced a joint best practice guide for parties wanting to submit survey evidence to the authorities, issuing a consultation draft during 2010 and publishing the final guide in April 2011. Parties sometimes wish to conduct their own customer surveys prior to a reference to the CC. This guide aims to help them design and conduct the survey in a way that means the CC will be able to put weight on the results.

Improve debate and learning about analysis of the competition questions in inquiries, and of regulatory appeals

An important focus of debate and learning for the year was on the analysis of regulatory appeals:

- The Finance and Regulation Group brings together staff and members with an expertise in regulatory issues in order to provide a focus for the development of the CC's approach in this area. (Operational responsibility for the Group lies with the Director of Financial Analysis.) During 2010/11 this Group debated a number of issues concerning the cost of capital and financeability in regulated industries.

- An internal database was created that captured lessons from past regulatory appeals, from research, and from internal analysis about the analytical approach for regulatory appeals.

- The CC continued its practice of inviting external speakers to give seminars on topics of interest in relation to analysis, with a greater emphasis this year on regulatory issues.

- Members and staff received in-depth training on the regulatory framework in telecommunications.

Given the ongoing review of the Market Investigation References Guidelines, another important area of debate was the assessment of market investigation references. We reinstated regular analysis seminars, attended by staff and Deputy Chairmen, at which a range of topics about our approach were debated, many of which related to market investigations.

The third area of focus was on the analysis of retail mergers. We held an analysis seminar to debate our approach, which informed the commentary on retail mergers. The CC also commissioned an ex post evaluation of a selection of retail mergers, which will report next year.

Work stream 3: Take the right remedial action

Person responsible: Chief Financial & Business Adviser & Head of Remedies (David Roberts)

The overall aim of this work stream is to develop the CC's remedies approach and procedures in accordance with world class standards and to ensure effective sharing of remedies expertise and learning points with members, staff and other competition authorities.

Key issues for 2010/11	*Outcome*
Improve process and guidance on remedies	• New guidance prepared on remedies in market investigations • A revised process for potential remedies is being implemented on new market investigation references • Publication of revised Memorandum of Understanding with the OFT on reviews of undertakings and orders
Evaluate remedies outcomes and share best practice	• Evaluation of remedies on two past merger inquiries and one market investigation were completed and published. Remedies learning points reviewed on completion of each case • Training provided to members and staff on remedies learning points and proposed guidance • Presentations given to DG Comp's merger working group on relevant merger topics
Implement remedies and review existing remedies undertakings and orders	• Remedies implementation proceeded on two market investigations and one merger inquiry • Seven reviews of undertakings or orders took place during the year

Improve process and guidance

New guidance on remedies in market investigations was developed during the year. This was published for consultation as part of new market investigation guidance in April 2011. New processes for developing possible remedies on new market investigations were also implemented. Together these developments seek to implement the recommendations of the review of remedies in market investigations highlighted in last year's report.

Following completion of several reviews of undertakings and orders in recent years, the CC's Memorandum of Understanding with the OFT was revised in order to improve the efficiency and transparency of these exercises.

Evaluate and share best practice

The CC has a rolling programme of evaluating remedies outcomes on past cases. In the past year, evaluations were completed and published of remedies implemented on two merger inquiries (Stericycle and Somerfield) and, for the first time since inception of the Enterprise Act, a market investigation (Store Cards). In addition, learning points on remedies are captured and disseminated on completion of all current cases.

Best practice continues to evolve as a result of evaluation, current learning and development of guidance and this is shared through training seminars within the CC and presentations to external bodies.

Implement and review remedies

The implementation and review of remedies was a major focus for the CC throughout the year. Implementation of remedies continued on one merger inquiry (Preston Bus) and two major market investigations (PPI and BAA). Work proceeded on four reviews of undertakings (ITV Contract Rights Renewal, Kemira/Terra, FirstGroup/ScotRail, Centrica) and three reviews of orders (Northern Ireland Banks, Home Credit and Store Cards) following references from the OFT regarding possible changes of circumstances affecting remedies currently in place. (See pages 24 to 27 for further details of these cases.)

Work stream 4: Make effective contributions to the development of competition policy and practice in the UK, the EU and internationally

Persons responsible: Director of Policy (John Kirkpatrick) with Head of International (Carole Begent)

Key issues for 2010/11	*Outcome*
Contribute effectively to competition policy and procedural issues in order to improve the operation of the UK competition regime	• The CC has worked closely with colleagues at BIS, HM Treasury and the OFT on the Government's proposals for the reform of the UK competition regime • The CC issued revised Merger Assessment Guidelines jointly with the OFT
Promote an understanding of the CC's work and the benefits of competition to UK stakeholders including the business community and consumers	• The Chairman, Deputy Chairmen and senior staff have delivered speeches to a broad range of audiences in the UK. For example, the Chairman spoke at the British Institute of International and Comparative Law's 9th Annual Merger Control Conference, and Laura Carstensen, Deputy Chairman, gave a speech to the General Counsels' Forum • The CC continues to develop its communications strategy and is developing a new website to comply with the Government's accessibility regulations and make it easier to use
Contribute effectively to international competition networks where the CC has expertise to develop competition policy and share best practice	• The CC actively participated in key international competition events, including the OECD and the ICN, during the past year • The CC continued with activities aimed at reinforcing relations with overseas competition authorities, sharing good practice and increasing cooperation on similar cases
Develop the CC's bilateral relations with overseas competition authorities, both within and outside Europe, so as to increase cooperation on similar cases, as appropriate, and to share lessons learned	• The CC has hosted and participated in an effective programme of visits for the Chairman, Deputy Chairmen and senior staff to and from overseas authorities • The CC has responded to a number of overseas requests for information

Contribute effectively to competition policy

During this year, the Government announced its intention to reform the UK competition regime, including a possible merger of the OFT and the CC. The CC has worked closely with BIS, the OFT and HM Treasury in helping to develop the consultation proposals and providing the necessary information for the impact assessment.

Elsewhere, the CC and OFT continued to work closely on improving processes for merger inquiries and market investigations, and together issued revised Merger Assessment Guidelines, a Quick Guide to UK Merger Assessment, joint guidance on using surveys in merger inquiries and a Commentary on retail mergers.

International relations

The CC has continued to be involved in and benefit from involvement in international competition organizations such as the Organisation for Economic Co-operation and Development (OECD), the International Competition Network (ICN) and the United Nations Conference on Trade and Development. In particular, the CC has contributed to the design and presentations of a number of ICN events, including the ICN conference, ICN Merger Workshop and ICN teleseminars on remedies and revisions to OFT/CC merger guidelines. The CC has also provided speakers for OECD workshops in India and at the Hungarian Outreach Centre.

The CC has participated actively in the newly-formed EU Mergers Working Group initiated by the European Commission, including contributing to the development of Draft Best Practices on Cooperation in Merger Review and making presentations on remedies design and remedies evaluation. The CC's Chairman has attended (by invitation) meetings of the European Competition Network (ECN) and the European Competition Authorities. Senior staff economists attended the Economists meetings of the ECN. Peter Davis, Deputy Chairman, continued in his role as President of the Association of Chief Economists.

The Chairman, Deputy Chairmen and senior staff have also participated in international events hosted by overseas competition authorities (including the European Commission, the Australian Competition and Consumer Commission and the Competition Commission of Singapore) and universities and professional associations.

The CC has also responded to many requests for information, and has successfully hosted numerous visitors, from international government ministries, academic institutions and competition authorities, including DG Comp of the European Commission and the US Department of Justice and Federal Trade Commission.

The CC made extensive use of international contacts and the work products of international networks in its casework and policy development. In particular, through established relations the CC explored a number of issues while developing the Merger Assessment Guidelines published jointly with the OFT. More generally, the CC has learned from international best practice through discussions with international contacts and participation at completion network events and these have helped shaped the CC's practices.

Work stream 5: Provide efficient and effective corporate services support

Person responsible: Director of Corporate Services (Rebecca Lawrence)

The aim of this work stream is to ensure efficient and effective corporate services and back office support to the rest of the organization. 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.

Key issues for 2010/11	*Outcome*
Comply with Cabinet Office guidance on data handling and information assurance	The CC is fully compliant with data handling and broader information assurance requirements
Comply with Security Policy Framework	The CC is fully compliant with Security Policy Framework
Meet efficiency targets within Corporate Services	• Corporate Services has increased its portfolio of shared services, which brings in an additional income of £300,000 per year • Corporate Services significantly reduced the amount of office space the CC uses and sublet the space to other government departments. The CC meets current government space requirements
Provide training and support to staff	• The second cohort of the Management Development Programme has been completed • Bespoke project management training was rolled out to staff • Professional qualifications have been funded

Efficiency, accommodation and shared services

The Corporate Services team has a key role in ensuring that the organization works as efficiently and effectively as possible. Spending on Corporate Services functions in 2010/11 was within its budget of £8.3 million. £5.4 million was spent on accommodation costs, approximately £2 million was spent on staffing and the remaining £0.9 million was spent on running costs and funding of projects throughout the year. The CC has a number of shared service agreements with other organizations to provide a range of services, including Finance, Information and Communication Technology (ICT), Facilities and Library Services, which brings in an additional income of £300,000 per year.

During 2010/11 the CC restructured its ICT team to improve its business resilience; this has delivered in-year savings of £170,000. This restructuring exercise is expected to deliver further significant savings in 2011 and beyond.

The CC benchmarks its accommodation data on the electronic Property Information Mapping Service (ePIMS), which produces the State of the Estate annual report on the management and use of the Government's civil estate. The CC has also submitted benchmarking data in relation to back-office services, as part of the Operational Efficiency Programme, which compares the key back-office functions HR, Finance, Procurement, ICT, Property, Communications, Legal and Knowledge & Information Management. Where benchmark data is available, the CC compares well against its peers and larger organizations.

During the year, the Corporate Services team has worked to ensure that the Efficiency Reform Group's cost control and austerity measures are implemented throughout the CC.

Business continuity, data handling and security

The CC continues to ensure that it meets all government security, data handling and information assurance requirements. The CC's security and information assurance work is led by the CC's Senior Information Risk Owner and Departmental Security Officer with support from the CC's Security Working Group. A fundamental review of the CC's security and incident reporting processes and counter-terrorism policies took place this year, desk sweeps have taken place on a regular basis and the CC has run its first security culture survey with an action plan in place to secure further improvements.

In terms of ICT, the CC has undertaken work to improve its business reliance, business continuity and disaster recovery arrangements.

Corporate governance and transparency

During 2010/11, the CC reviewed its corporate governance arrangements: it has a new framework document in place, revised terms of reference for its core committees, as well as a new code of conduct for Council members and clarified role profiles for key postholders.

The Finance, ICT, Procurement and HR teams have also ensured that they have met the Government's transparency initiatives.

ICT, the Internet and accessibility

The ICT team has been working with its delivery partners BIS and eduserve to redesign and improve the CC's website. The outcome from this project will be launched in October 2011; the design and content will reflect internal and external customer feedback, as well as delivering Chief Information Officer accessibility requirements.

The ICT team is also working to improve remote working and flexible working for CC members and staff.

Training and the Management Development Programme

In 2010/11, the CC ran its second cohort of its well-received Management Development Programme and also ran a condensed version for the whole senior team. Work will continue in 2011/12 to take forward the lessons learned from the programme. Inquiry staff received project management training specifically developed for inquiry processes, and general project management training was held for all other staff. The CC has continued to provide funding for staff seeking professional qualifications, prioritizing those without a first degree and staff in Corporate Services. Towards the end of the year the CC relaunched its Staff Learning Exchange providing a series of seminars delivered by staff in their area of expertise.

Customer Service Excellence

Customer Service Excellence (CSE) is a government standard designed to improve the delivery of services which meet the needs of customers. The Corporate Services team has been working towards achieving this standard during 2010/11 and will be assessed on the CSE award in June 2011. In obtaining the CSE award, the Corporate Services team aims to improve the quality of its services, raise levels of customer satisfaction and make its processes more efficient.

Accounts

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 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 three non-executive CC members.

At 31 March 2011 the membership comprised the Chairman, three Deputy Chairmen, three 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 Act panel. All members are appointed by the Secretary of State.

Table 1: CC members appointed during April 2010 to March 2011

Members at 31 March 2011	
Chairman	1
Deputy Chairmen	3
Non-executives	3
Reporting panel members	32
(includes 12 members also on the utilities panel, 3 on the newspaper panel and 6 on the Communications Act specialist panel)	

Please refer to the earlier section on the CC Council (pages 8 and 9) 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 76 to 80.

Remuneration details of the Council members are disclosed in the Remuneration Report on pages 46 and 47.

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/our_peop/members/reg_interests/index.htm.

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 £16,320,000 (2009/10: £19,655,000). Capital grant received was £566,000 (2009/10: £345,000).

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 Statement of Financial Position.

In 2010/11 the overall deficit for the year of expenditure over income after interest and taxation was £17,770,000 (2009/10 deficit £21,765,000). Operating expenditure was £21,740,000 (2009/10: £25,853,000).

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.

The table below shows a three-year summary in DEL format including the forecast for 2011/12.

Table 2: CC's three-year expenditure and forecast

	2009/10 Actual £'000	*2010/11 Actual £'000*	*2011/12 Forecast £'000*
Payroll costs	11,122	9,637	9,834
Accommodation costs (net)	4,452	5,131	4,022
Other costs less sundry income	6,182	3,002	3,882
Revenue DEL	21,756	17,770	17,738
Capital expenditure	345	566	400

The following table reconciles the revenue DEL format for 2010/11 with the total operating expenditure of £21,740,000 shown in the Net Expenditure account.

Table 3: Revenue DEL 2010/11

	2010/11 Actual £'000
Revenue DEL	17,770
Add:	
Income receivable	3,966
Interest receivable	5
Deduct:	
Corporation Tax	(1)
Operating expenditure per Net Expenditure account	21,740

The final budget set by BIS for 2010/11 was £18,802,000 (2009/10; £21,256,000), made up of revenue expenditure of £18,237,000 and capital expenditure of £565,000; a decrease of 11.5 per cent from 2009/10. The CC spent £18,336,000 made up of revenue expenditure of £17,770,000 and capital expenditure of £566,000 resulting in an overall underspend of £466,000 (2.5 per cent). The BIS budget allocation for 2011/12 is £18,038,000 made up of revenue expenditure of £17,738,000 and capital expenditure of £400,000.

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 75 per cent of relevant invoices were settled within five days (2009/10: 96 per cent based on payment within ten days); 100 per cent was not achieved mainly due to the CC being a small organization which has a limited number of people who have authorization to approve invoices for payment.

9. Financial instruments

Please refer to note 8 in the notes to the financial statements.

10. Pension liabilities

Please refer to accounting policy 1(f) and note 15 in the notes to the financial statements.

11. Employee involvement

The CC has a Staff Council with staff representation from all parts of the organization 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 2011 the cost of work performed was £34,000. 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 statement and the Chief Executive's report.

David Saunders
Chief Executive and Secretary
Accounting Officer
23 June 2011

Management commentary

1. The CC and its external environment
The CC is the Phase 2 body in the UK's competition framework. It can conduct inquiries only 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 125 employees at the end of March 2011 (122 at end of March 2010[1]. Staff turnover for the year was 11.48 per cent excluding retirees and fixed-term appointees. This compares with the CIPD 2010 Resourcing and talent planning survey which reported the overall employee turnover rate for the UK to be 13.5 per cent.

30 per cent of the CC's most senior staff (Band A and above) are women and the overall gender split is 50:50. The CC's average sickness absence is 1.3 days per employee per year; this is significantly below the reported level of civil service sick leave which was at 8.7 days at March 2010. According to the civil service figures 41 per cent of all civil service staff took no sick leave in the same period, whereas 47 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 11 per cent of staff have formal part-time working patterns—half of these are men. The CC recruited 20 new staff up to 31 March 2011—of these, 40 per cent were women.

3. Environmental matters
The CC is committed to minimizing the environmental impact of our activities. Up to 96 per cent of all waste materials are recycled via our nominated supplier Grosvenor Waste.

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

5. Objective setting and strategy for achieving them
The Business Plan 2011/12 was published on the CC website (www.competition-commission.org.uk/our_role/corporate_plan/index.htm) on 11 April 2011. 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 2011–15, namely to create efficient and dynamic markets which will contribute to economic growth. In March 2011, BIS issued a consultation to seek views on proposals to strengthen the UK competition regime, including bringing the CC and the competition functions of the OFT together to form a single competition and markets authority during 2013. The CC welcomes this consultation and will continue to participate constructively in these discussions to help create an improved competition framework.

For 2011/12 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 organization in the financial year
During 2010/11 there were 9 inquiries brought forward from the previous financial year and 14 new inquiries. Of these, 12 were completed, 3 were cancelled, and 8 carried forward to the next financial year. Of the 14 new inquiries received in 2010/11, 8 were merger inquiries, 1 was a market investigation and 5 were reviews of undertakings. See Table 4.

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 six 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 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. Students are also appointed as interns giving them experience of working in a professional environment for anything from two weeks to three months. The CC also arranges appropriate developmental secondments to other agencies when workload is lower.

The other major challenge facing the CC was the actual budget cut of £2.7 million in 2010/11, reducing the CC's budget to £18.8 million due to public expenditure restraint. To prepare for this, the CC implemented a number of efficiency savings and overhead cost reductions by significantly reducing the amount of office space the CC uses and subletting to other government departments and a small number of non-public-sector bodies. Further savings will have to be made in 2011/12 to help to meet government targets for reducing public expenditure.

As mentioned above, BIS is consulting on 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 two 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 is regularly in contact with BIS and HM Treasury to help shape the proposals and has been actively involved in discussing the options with a wide range of external audiences.

- The second risk is that the possibility of structural change adversely affects the CC's performance. To mitigate this risk, the CC will maintain clear lines of communication between management and staff about the outcome of the consultation process and any subsequent transition process. This risk will be closely monitored as possible changes are decided and announced.

The CC has continued to manage its risks through its risk management processes and policies during 2010/11. These are more fully recorded in the Statement on Internal Control (pages 49 to 53), specifically under the capacity to handle risk and the risk and control framework. During 2010/11 there were no security or information assurance incidents reported to BIS or the Information Commissioner's Office. A minor loss of historic (2005) krypto key material was reported to the Communications-Electronics Security Group.

10. Resources and liquidity

The accounts show a cumulative deficit on the Income and Expenditure Reserve of £6,555,000 at 31 March 2011. The CC's sponsoring department, BIS, has confirmed that there is no reason to believe that its future sponsorship will not be forthcoming within the capital and resource budgets set by Spending Review Settlements. The statement of financial position indicates a negative balance because of timing differences between consumption and payment. The CC draws grant-in-aid to cover its cash requirements.

David Saunders
Chief Executive and Secretary
Accounting Officer
23 June 2011

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 4: CC workload 2010/11

Inquiries summary	*Mergers*	*Markets*	*Remittals*	*Energy Code Mod Appeal*	*Appeal under Communications Act*	*Review of Undertakings*	*Water Appeals*	*Total*
New inquiries 2010/11	8	1	0	0	0	5	0	14
Inquiries brought forward from 2009/10	0	1	2	0	3	2	1	9
Deduct inquiries cancelled	3	0	0	0	0	0	0	(3)
Deduct inquiries carried forward at 31 March 2011	4	2	0	0	0	2	0	(8)
Inquiries completed in 2010/11	1	0	2	0	3	5	1	12

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. Reference is made to the Senior Salaries Review Body and the CC's Chairman writes to the Secretary of State for final approval of 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 5.

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 6.

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 chose not to receive a bonus payment for 2010/11.

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

The salary payments for Mr Roger Witcomb are for the period 4 January to 31 March 2011; his full year salary is £102,640 per year.

As at 31 March 2011, David Saunders had £4,532 of employee benefits which relates to untaken leave.

4. Pension details of Council members

Mr Peter Freeman, Mr Christopher Clarke, Dr Peter Davis and Mrs Diana Guy are pensioned by analogy to the Principal Civil Service Pension Scheme (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

Table 5: Council member appointments

	Date appointed	*Date appointment ends/ended*
Mr Peter Freeman (Chairman)*	1 January 2006	6 May 2011
Mrs Laura Carstensen (Deputy Chairman)*	1 February 2010	31 March 2013
Mr Christopher Clarke (Deputy Chairman)	1 September 2004	9 September 2010
Dr Peter Davis (Deputy Chairman)	18 September 2006	17 September 2012
Mrs Diana Guy (Deputy Chairman)*	1 September 2004	30 November 2010
Mr Roger Witcomb (Deputy Chairman)	4 January 2011	3 January 2013
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.

Table 6: Remuneration of Council members

	Salary	*Pension contributions*	*Taxable expenses*	*2010/11 total*	*2009/10 total*
Mr Peter Freeman (Chairman)	171,074		2,599	173,673	176,411
Mrs Laura Carstensen (Deputy Chairman)*	102,640	24,028	8,450	135,118	19,164
Mr Christopher Clarke (Deputy Chairman)*	45,333			45,333	102,640
Dr Peter Davis (Deputy Chairman)	128,296			128,296	128,296
Mrs Diana Guy (Deputy Chairman)*	68,427			68,427	102,640
Mr Roger Witcomb (Deputy Chairman)*	24,832		293	25,125	0
Mr Grey Denham (non-executive)	6,700			6,700	4,900
Dame Patricia Hodgson (non-executive)	3,850			3,850	4,550
Ms Lesley Watkins (non-executive)	5,950			5,950	4,550
Mr David Saunders (Chief Executive)	140,000	30,035		170,035	170,035

*Two of the Deputy Chairmen are employed on a four-day-week basis. The terms of office of two Deputy Chairmen, Mr Christopher Clarke and Mrs Diana Guy, came to an end in 2010.

when they become due. Mrs Laura Carstensen has a private pension scheme that the CC makes 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 has currently opted not to be part of the PCSPS scheme and the CC are 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.

The figures in column 5 at the start of period cash equivalent transfer value (CETV) for 2010/11 are slightly different from the final period CETV 2009/10 shown in the accounts for 2009/10 due to certain factors being incorrect in last year's CETV calculator.

Cash equivalent transfer values

A cash equivalent transfer value is the actuarially assessed capitalized 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 payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of his or her total membership of the pension scheme, not just his or her service in a senior capacity to which disclosure applies. The CETV figures, and the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the civil service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of his or her purchasing additional years of pension service in the scheme at his or her own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

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

David Saunders
Chief Executive and Secretary
Accounting Officer
23 June 2011

Table 7: Cash equivalent transfer values

	Column 1 Real increase in pension £'000	*Column 2 Real increase in lump sum £'000*	*Column 3 Pension at 31/03/11 £'000*	*Column 4 Lump sum at 31/03/11 £'000*
Mr Peter Freeman	0–2.5	N/A	15–20	N/A
Mr Christopher Clarke	0–2.5	N/A	10–15	N/A
Dr Peter Davis	0–2.5	N/A	5–10	N/A
Mrs Diana Guy	0–2.5	N/A	10–15	N/A
Mr David Saunders	0–2.5	0–5	55–60	170

	Column 5 CETV at 31/03/10 (nearest £'000)	*Column 6 CETV at 31/03/11 (nearest £'000)*	*Column 7 Employee contributions and transfers-in £'000*	*Column 8 Real increase in CETV after adjustment for inflation and changes in market investment factors (nearest £'000)*
Mr Peter Freeman	260	297	4.0–4.5	27
Mr Christopher Clarke	176	188	1.5–2	10
Dr Peter Davis	64	87	4.0–4.5	13
Mrs Diana Guy	159	179	2–2.5	13
Mr David Saunders	1,129	1,214	1.5–2	0

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

Under paragraph 12 of Schedule 7 of 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, recognized 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:

1. 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;

2. make judgements and estimates on a reasonable basis;

3. 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

4. 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*.

Statement on internal control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of 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 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.[1] The Council is the CC's strategic board and is responsible for ensuring the efficient discharge of the CC's statutory functions and that the CC complies with any statutory or administrative requirements for the use of public funds.

I am responsible for:

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

I am also personally responsible for:

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

The purpose of the system of internal control

The 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 prioritize the risks to the achievement of the CC's statutory obligations, policies, aims and objectives;
- evaluate the likelihood of those risks being realized and the impact should they be realized; and
- manage them efficiently, effectively and economically.

The system of internal control has been fully in place in the CC for the year ended 31 March 2011 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 been suspended.

As part of the CC's ongoing work to ensure that appropriate systems of internal control and governance are in place, the CC, in conjunction with BIS, has agreed a new Framework Document and Financial Memorandum and reviewed the terms of reference for its key committees. Additionally a new Code of Conduct for Council members and role profiles for key post holders are in place. The new documents build upon and strengthen the CC's existing systems of internal control and governance and strengthen individual accountability.

Capacity to handle risk

During the year the CC has continued to improve the risk management process that it introduced in 2009/10 to enhance its 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 Senior Management Team (SMT) is responsible for managing the risks associated with their corporate plan objectives for 2011/12. 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 SMT reviewed and approved its revised Risk and Data Handling Policy in February 2011 and this was formally endorsed by the Audit Committee in May 2011.

The following risk management processes are in place:

1. At each Audit Committee meeting a member of the SMT attends to discuss with the Audit Committee[2] the risks that they manage. Discussions provide assurance to the Audit Committee that risks have been properly identified, evaluated and monitored; that appropriate procedures are established to address the risks identified; that staff are aware of risk management practices; and that risk training is undertaken as necessary.
2. Additionally the Audit Committee reviews the management of Council and SMT risks at each meeting.
3. 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. The SMT's commitment to the management of risk is set out in its terms of reference and supported by the Risk and Data Handing Policy.
4. 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.
5. The SMT is also responsible for advising the Council about key strategic risks.
6. The SMT is responsible for overall security, data handling and information assurance policies and procedures and overseeing effective security management.
7. The Business Continuity Group (BCG), comprising relevant Heads of Function, which I chair, is responsible for business continuity planning and contingency operations. Also a team of Incident Controllers is in place to deal with any immediate emergencies that may occur. Off-site HQ facilities and off-site IT arrangements are in place to ensure that the CC and/or core IT systems are up and running as soon as possible.
8. Policies are in place in the event of a pandemic or a terrorist attack.
9. The Security Working Group (SWG) works alongside the 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:
   - the Communications-Electronics Security Group, which is the national technical authority for information assurance;
   - the Cabinet Office; and
   - the Centre for the Protection of the National Infrastructure.

The Director of Corporate Services, who is the Chair of the Committee, is also the CC's Departmental Security Officer and Senior Information Risk Owner (SIRO). During 2010/11 there were no security data incidents that needed to be reported to the Information Commissioner or the Cabinet Office.

10. The SWG is supported by a Security Incident Team that deals with data losses and information breaches.

11. The SIRO, with the help of the SWG, completed the Cabinet Office Security Risk Management Overview (SRMO) for 2010/11. This information assurance return has been independently validated and audited by the CC's internal auditors (BIS Internal Audit Service).

12. 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 requirements and will now work towards achieving the 2015 standards.

Following a final review by the Audit Committee, and approval by me, the returns were submitted to BIS and the Cabinet Office in May 2011.

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.

The risk and control framework

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

The nature and impact of the CC's work leads the CC to 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).

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

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

1. The SMT includes the 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; and
   - the existing management structures enable risk to be managed appropriately.

2. 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 the Council. However, the SMT has a key role in ensuring that relevant risks are put up to the Council for consideration, review and potential reclassification or inclusion as a strategic risk. The Council will also identify risks.
   - Objective 1 risks (make the right decisions in market investigations, merger inquiries and regulatory appeals) are managed by the Chief Economist (in consultation when necessary with the Analysis Group or the Economist team).
   - Objective 2 risks (take the right remedial action and implement effective and proportionate remedies) are managed by the Chief Business Adviser (in consultation when necessary with the Remedies Standing Group or the Remedies team).

Statement on internal control *(continued)*

- Objective 3 risks (conduct fair and transparent processes) are managed by the Chief Legal Adviser (in consultation when necessary with the Practices and Procedures Group or the Legal team).

- Objective 4 risks (ensure no undue burden on business or taxpayers) are managed by the Senior Director, Inquiries (in consultation when necessary with the Practices and Procedures Group or the inquiry team).

- Objective 5(a) risks (ensure positive engagement with CC stakeholders and external representation of the CC) are managed by the Director of Policy.

- Objective 5(b) risks (influence the development of international competition policy and implementation and learn from international best practice) are managed by the Head of International.

- Objective 6 risks (support the organization by ensuring that 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.

3. 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.

4. 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.

   - 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.

5. Every manager within the CC is responsible for identifying the types of risks that fall within their own remit.

6. 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.

7. 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 key aspects of the inquiry plan and process.

8. 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.

9. Additionally the Efficiency Reform Group has put in place a number of financial controls with which the CC complies.

10. A CC Programme Board meets to review the progress on all CC projects, sets long-term CC strategy goals and reviews benefits of completed projects.

11. Project Boards are established for all major projects (such as the Internet Project Group) in accordance with Prince 2 project management guidelines to ensure that projects are managed under generally accepted project management techniques, including identification and assessment of project risks.

12. A Staff Council, with representatives from staff at all levels, meets at least three times a year to advise staff of changes affecting the organization and to take account of their views and concerns.

13. 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, combined with the changes made to the CC's risk-handling processes, 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.

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 Statement of Internal Control 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 return, 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:

1. 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.

2. An Audit Committee chaired by a non-executive member of the 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 the Council. The Audit Committee provides regular updates on its activities to the Council.

3. An internal audit service. This has been provided by BIS Internal Audit Service from April 2010 to date; during the year they gave the CC's Audit Committee an opinion of the CC's internal controls as being adequate and effective.

4. The work of the SIRO supported by the SWG, specifically in relation to the Security Policy Framework (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*, I can confirm that the CC has not had any significant control issues during 2010/11 and currently has no significant weaknesses to address.

David Saunders
Chief Executive and Secretary
Accounting Officer
23 June 2011

1. As provided by Schedule 7 to the Competition Act 1998, the Council is composed of the Chairman and the Secretary of the CC, appointed persons and such other members as the Secretary of State may appoint. The Council as of 31 March 2011 comprises the Chairman, the Secretary, three Deputy Chairmen and three non-executive directors.
2. The Audit Committee comprises two non-executive members of the 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 2011 under the Competition Act 1998. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of 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 Commission, Accounting Officer and auditor

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

Scope of the Audit of the Financial Statements

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

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 have been applied to the purposes intended by Parliament and the financial transactions 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 2011 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
- 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 Statement on Internal Control 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 2011

Statement of Comprehensive Net Expenditure for the year ended 31 March 2011

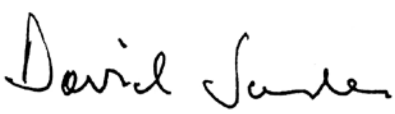
	Note	2010/11 £'000	2009/10 £'000 Restated
Expenditure:			
Staff costs	2	8,841	10,090
Members costs	2	796	1,651
Depreciation	5,6 & 7	922	1,093
Other expenditure	3	11,181	13,019
		21,740	25,853
Income:			
Other income	4	(3,966)	(4,093)
Net expenditure		17,774	21,760
Interest receivable		(5)	(7)
Net expenditure after interest		17,769	21,753
Corporation Tax		1	3
Net expenditure after interest and tax		17,770	21,756
Total Comprehensive Expenditure for the year ended 31 March		17,770	21,756

There was no other comprehensive expenditure.
The notes on pages 59 to 75 are part of these financial statements.

Statement of financial position as at 31 March 2011

	Note	*31 March 2011 £'000*	*31 March 2010 £'000*
Non-current assets:			
Property, plant and equipment	5	4,600	5,278
Intangible assets	6	330	193
Dilapidations asset	7	1,858	1,995
Trade and other receivables due after one year	9	1,715	1,509
Total non-current assets		8,503	8,975
Current assets:			
Trade and other receivables due within one year	9	311	373
Cash and cash equivalents	10	127	708
Total current assets		438	1,081
Total assets		8,941	10,056
Current liabilities:			
Trade and other payables	11	(1,833)	(2,546)
Total current liabilities		(1,833)	(2,546)
Non-current assets less current liabilities		7,108	7,510
Non-current liabilities:			
Provisions	12(a)	(2,973)	(3,069)
Pension liabilities	12(b)	(2,136)	(2,458)
Other payables	11	(8,554)	(7,654)
Total non-current liabilities		(13,663)	(13,181)
Assets less liabilities		(6,555)	(5,671)
Taxpayers' equity:			
Income and expenditure reserve		(6,555)	(5,671)
		(6,555)	(5,671)

The notes on pages 59 to 75 are part of these financial statements.



David Saunders
Chief Executive and Secretary
Accounting Officer
23 June 2011

Statement of cash flows for the year ended 31 March 2011

	Note	*2010/11* *£'000*	*2009/10* *£'000*
Cash flows from operating activities:			
Net deficit after interest		(17,770)	(21,756)
Depreciation	5,6 & 7	922	1,093
Devaluation/(revaluation)		339	(74)
(Increase)/decrease in trade and other receivables	9	(144)	79
Increase in trade payables	11	188	963
(Decrease)/increase of provisions		(435)	553
Taxation		(1)	(19)
Net cash outflow from operating activities		(16,901)	(19,161)
Cash flows from investing activities:			
Purchase of property, plant and equipment		(339)	(147)
Purchase of intangible assets		(227)	(151)
Proceeds of disposal of property, plant and equipment		-	
Net cash outflow from investing activities		(566)	(298)
Cash flows from financing activities:			
Grant from parent department		16,886	20,000
		16,886	20,000
Net financing		(581)	541
Net (decrease)/increase in cash and cash equivalents in the period		(581)	541
Cash and cash equivalents at the beginning of the period		708	167
Cash and cash equivalents at the end of the period		127	708

The notes on pages 59 to 75 are part of these financial statements.

Statement of changes in Taxpayers' Equity

	I&E Reserve £'000	*Revaluation Reserve £'000*	*Total Reserves £'000*
Balance as at 31 March 2009	(3,915)	368	(3,547)
Changes in accounting policy:			
Non-cash charges—cost of capital	146		
Retained deficit	(146)		
Restated balance as at 31 March 2009	(3,915)	368	(3,547)
Changes in Taxpayers' Equity 2009/10:			
Comprehensive Expenditure for the year	(21,756)		(21,756)
Net loss on revaluation of property		(368)	(368)
Grant from parent	20,000		20,000
Balance as at 31 March 2010	(5,671)	-	(5,671)
Changes in Taxpayers' Equity 2010/11:			
Comprehensive Expenditure for the year	(17,770)		(17,770)
Grant from parent	16,886		16,886
Balance as at 31 March 2011	(6,555)	-	(6,555)

The notes on pages 59 to 75 are part of these financial statements.

Notes to the financial statements

1. Accounting policies

These financial statements have been prepared in accordance with the 2010/11 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 recognized when the service is provided.

(b) Non-current assets

Expenditure on non-current assets is capitalized. 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 capitalization 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 capitalized. This includes expenditure directly incurred on hardware, software and appropriate consultants' costs.

Non-current assets are capitalized 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 capitalized 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 capitalized.

Assets in the course of construction are capitalized 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 capitalized 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) Notional Cost of Capital

Following the confirmation from HM Treasury on Cost of Capital, the CC no longer accounts for the charge and therefore has removed the figure from this year's account. The Statement of changes in Taxpayers' Equity details the restated balances for 2009/10 following the change in accounting policy.

(e) Taxation

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

(ii) Costs shown for capitalized 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.

(f) Pensions
Full staff and members pension details are given in note 15.

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 recognized 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 recognizes the contributions payable for the year.

(g) Operating leases
Rentals are charged to the Statement of Comprehensive Net Expenditure Account in equal amounts over the lease term.

(h) 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. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

The CC recognizes liabilities that will be funded by grant-in-aid in future years, some of which the CC is not able to recognize 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.

(i) 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 (2009/10: 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 7.

Details of the pension provision are provided in note 15.

(j) 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 categorization of financial assets and liabilities depends on the purpose for which the asset or liability is held or acquired. Management determines the categorization 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 realized within 12 months of the reporting date, there is no material difference between fair value, amortized 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, amortized cost and historical cost.

(k) Reserves
Income and expenditure reserve
The CC accounts for its accumulated deficit in the Income and Expenditure reserve.

2. Staff numbers and related costs

The cost of members' remuneration was:

	2010/11 £'000 Chairman & Deputy Chairmen	*2010/11 £'000 Other members*	*2010/11 £'000 Total*	*2009/10 £'000 Total*
Wages and salaries	535	362	897	912
Social security costs	63	31	94	90
Pension costs	(195)	-	(195)	649
Total	403	393	796	1,651

(a) The Chairman and Deputy Chairmen's pension costs relate to payments made to the pension scheme. See note 15 for information. The figure is a negative as the pension scheme reduced in value following the Government Actuary's Department valuation of the scheme.
(b) Members of the CC during the year are listed on pages 76 to 80. 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. Members appointed prior to the Enterprise Act 2002 are normally on four-year terms with an option to extend for a further four 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.

The cost of staff remuneration was:

	2010/11 £'000 Permanent staff	*2010/11 £'000 Other staff*	*2010/11 £'000 Total*	*2009/10 £'000 Total*
Wages and salaries	5,912	1,185	7,097	8,247
Social security costs	531	47	578	621
Pension costs	1,118	48	1,166	1,222
Total	7,561	1,280	8,841	10,090

(i) The remuneration of the Chief Executive is included in staff remuneration.
(ii) Salaries include redundancy payments of £57,500 (2009/10: £414,380).
(iii) £271,000 was recovered in respect of the outward secondment of permanent staff (see note 4).

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 organizations, staff employed on short-term contract and temporary staff, was:

	2010/11 FTE	*2009/10 FTE*
Employed on references:		
Permanent staff	80	84
Other staff	7	9
Total employed on references	87	93
Inquiry support:		
Permanent staff	11	17
Other staff	3	1
Total inquiry support	14	18
Support staff:		
Permanent staff	28	19
Other staff	1	11
Total support staff	29	30
Total staff	130	141

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

	2010/11 £'000	*2009/10 £'000*
Rentals under operating leases	6,050	5,453
Running costs—Victoria House	2,578	2,339
Consultants' fees—inquiry related	295	829
Consultants' fees—not inquiry related	32	128
External surveys—inquiry related	346	182
Legal costs:		
Appeals	(155)	1,762
Employment tribunal	-	420
Other	159	168
IT support and maintenance	126	151
Software licences	51	47
IT equipment and consumables	99	63
Telecommunications and Internet charges	307	344
Inquiry variable costs	168	154
Travel, subsistence and hospitality:		
Members	108	108
Staff & contractors	36	60
Staff training	186	201
Staff recruitment	94	99
Subscriptions	131	154
Catering	196	206
Audit fees for statutory audit work	34	42
Other audit fees	24	23
Other administration	90	160
Non-cash items:		
Devaluation charge	339	218
Accounting estimate adjustment*	-	(292)
Loss on disposal of asset	-	-
Office relocation (decrease in provision)	(113)	-
Other expenditure	11,181	13,019
Other non-cash items:		
Depreciation	922	1,093
Total other operating charges	12,103	14,112

The CC occupies 41 per cent of its office space at Victoria House with the remainder sublet. The accommodation costs shown above are the full costs before sublet income of £3,497,000 (2009/10: £3,340,000) which is included as income (see note 4).

Operating lease rental costs included above were £6,174,000 for the year (2009/10: £5,575,000). The figure reflects the adjustment to the operating lease liability rental costs following the increase in VAT to 20 per cent. 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.

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.

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

The devaluation charge is the amount charged to expenditure because of the downwards revaluation of the leasehold asset.

*See note 5.

4. Income

	2010/11 £'000	*2009/10 £'000*
Rent and other occupancy charges including corporate services charges:		
External:		
Sinclair Knight Merz	622	622
National Heart Forum	30	-
Intra-Government:		
Competition Service (CAT)	1,816	1,718
Department for Business Innovation and Skills	65	-
Office of Manpower Economics/Low Pay Commission	168	-
NHS Institute for Innovation and Improvement	232	225
Legal Services Board	448	552
Security Industry Authority	116	223
	3,497	3,340
Charges for seconded-out staff:		
Intra-Government:		
Department for Transport	-	87
Office of Fair Trading	-	57
Bank of England	-	8
Civil Aviation Authority	38	90
HM Treasury	-	42
Cooperation & Competition Panel	202	335
Ofgem	31	-
	271	619
Sundry income	198	134
Total income	3,966	4,093

5. Property, plant and equipment

	2010/11 £'000 Information technology	2010/11 £'000 Fixtures & fittings	2010/11 £'000 Leasehold costs	2010/11 £'000 Assets in course of construction	2010/11 £'000 Total
Cost:					
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)
At 31 March 2011	3,479	997	6,349	-	10,825
Depreciation:					
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)
At 31 March 2011	3,162	741	2,322	-	6,225
Net Book Value:					
At 31 March 2011	317	256	4,027	-	4,600
At 31 March 2010	338	143	4,690	107	5,278

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

5. Property, plant and equipment *(continued)*

	2009/10 £'000 Information technology	*2009/10 £'000 Fixtures & fittings*	*2009/10 £'000 Leasehold costs*	*2009/10 £'000 Assets in course of construction*	*2009/10 £'000 Total*
Cost:					
At 1 April 2009	3,570	807	7,666	107	12,150
Additions at cost	158	23	-	-	181
Disposals	(271)	-	-	-	(271)
Transfer to intangible assets	-	-	-	-	-
Revaluation	-	-	(822)	-	(822)
At 31 March 2010	3,457	830	6,844	107	11,238
Depreciation:					
At 1 April 2009	3,072	645	2,334	-	6,051
Provision for the year	318	42	349	-	709
Released on disposal	(271)	-	-	-	(271)
Revaluation	-	-	(529)	-	(529)
At 31 March 2010	3,119	687	2,154	-	5,960
Net Book Value:					
At 31 March 2010	338	143	4,690	107	5,278
At 31 March 2009	498	162	5,332	107	6,099

In accordance with IAS 16 the residual value of the leasehold asset was reviewed and expectations differ from estimates in previous years. The change has been accounted for as a change in accounting estimate. See note 3. The credit to the Comprehensive Net Expenditure Account affects expenses for 2009/10; it does not affect any future periods.

6. Intangible assets

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

	2009/10 Software licences £'000
Cost:	
At 1 April 2009	1,105
Additions at cost	164
Disposals	(4)
At 31 March 2010	1,265
Amortization:	
At 1 April 2009	844
Provision for the year	232
Disposals	(4)
At 31 March 2010	1,072
Net Book Value:	
At 31 March 2010	193
At 31 March 2009	261

7. Dilapidations asset

	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

The estimated cost of restoring Victoria House to its original state at the end of the CC's lease in 2023 has been capitalized. 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.

	2009/10 *£'000*
Cost:	
At 1 April 2009	2,940
Revaluation	16
At 31 March 2010	2,956
Depreciation:	
At 1 April 2009	809
Provision for the year	148
Revaluation	4
At 31 March 2010	961
Net Book Value:	
At 31 March 2010	1,995
At 31 March 2009	2,131

8. 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.

9. Trade receivables and other assets

	2010/11 £'000	*2009/10 £'000*
Amounts falling due within one year		
Trade receivables:		
External	27	114
Intra-Government:		
Competition Service (CAT)	5	9
Cooperation and Competition Panel	43	48
Civil Aviation Authority	-	16
The Office for Legal Complaints	-	3
HM Treasury	5	-
NHS Institute for Innovation and Improvement	2	9
Sport England	5	4
Department of Business Innovation and Skills	10	-
Security Industry Authority	-	12
Legal Services Board	12	14
Prepayments	137	99
Tenants' rent-free period	19	19
Deposits and advances	46	26
	311	373

Amounts falling due after more than one year:

	2010/11 £'000	*2009/10 £'000*
Tenants' rent-free period	241	255
Competition Service rent	1,474	1,254
	1,715	1,509

Tenants' rent-free period represents a rent-free period granted to tenants. This amount is being amortized over the periods of the respective leases. The total rent-free period debtor at 31 March 2011, including those amounts shown at note 9 above falling due within one year, was £260,000 (2009/10: £274,000).
The Competition Service rent represents the remaining amount receivable over the lifetime of the lease for the rent calculated on a straight-line basis.

10. Cash and cash equivalents

	2010/11 £'000	2009/10 £'000
Balance at 1 April	708	167
Net change in cash and cash equivalent balances	(581)	541
Balance at 31 March	127	708
The following balances at 31 March were held at:		
Government Banking Service	127	708

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

11. Trade payables and other current liabilities

Amounts falling due within one year:

	2010/11 £'000	2009/10 £'000
Trade payables:		
External	135	301
Intra-Government—BIS	-	8
Victoria House rent—deferred income	138	138
PAYE, National Insurance & Pension	335	363
Bonus pay accrual	250	250
Holiday pay accrual	422	380
VAT	74	20
Corporation Tax	1	2
Other payables	478	1,084
	1,833	2,546

Amounts falling due after more than one year:

	2010/11 £'000	2009/10 £'000
Victoria House rent—deferred income	1,587	1,725
Victoria House rent—operating lease liability	6,967	5,929
	8,554	7,654

The Victoria House rent—deferred income relates to the amortization of a rent-free period. Under the rules of UITF Abstract 28: Operating Leases, the value of the rent-free period is being amortized 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.

12. Provisions for liabilities and charges

(a) Provisions for the year ended 31 March 2011 are:

	Office relocation £'000	*Capitalized office dilapidations £'000*	*Total provisions £'000*
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.
The capitalized 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 capitalized. See note 7.

(a) Provisions for the year ended 31 March 2010 are:

	Office relocation £'000	*Capitalized office dilapidations £'000*	*Total provisions £'000*
Balance as at 1 April 2009	113	2,940	3,053
Provided in the year	-	16	16
At 31 March 2010	113	2,956	3,069
Analysis of expected timing of discounted flows:			
One to five years	113	-	113
More than five years	-	2,956	2,956
	113	2,956	3,069

12. Provisions for liabilities and charges *(continued)*

(b) Pension provisions for the year ended 31 March 2011 are:

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

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 15.

(b) Pension provisions for the year ended 31 March 2010 are:

	Pension liabilities 2009/10 £'000
As at 1 April 2009	1,905
Provided in year	658
Provisions utilized in the year	(105)
As at 31 March 2010	2,458

13. Capital commitments

The CC has no capital commitments.

14. 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.

	2010/11 £'000	*2009/10 £'000*
Land and buildings		
Not later than one year	5,614	5,497
Later than one year and not later than five years	24,300	23,071
Later than five years	51,811	56,951

The CC has a 20-year lease for office space in Victoria House, Southampton Row, London WC2. The lease start date was September 2003. The total space is 8,260 square metres, of which 4,910 square metres (59 per cent) has been sublet at the 31 March 2011 and 3,350 square metres (41 per cent) is the CC's net space. The CC's net operating lease commitment is £60,583,000 (2009/10: £67,426,000).
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.

15. 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 2011 there were two active members and twelve 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 2011 was £2,136,000 (31 March 2010: £2,485,000). 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 net of price increases are 1.8 per cent a year, is specified for resource accounting purposes by HM Treasury. The following allowances are assumed: increase in salaries 4.9 per cent a year, price inflation 2.65 per cent a year, increase for pensions in payment and deferred pensions 2.65 per cent a year.

During the period ended 31 March 2011 pension payments of £116,000 (2009/10: £105,000) were made to retired Chairmen and Deputy Chairmen.

Mrs Laura Carstensen, Deputy Chairman, is not part of the CC's PCSPS by analogy scheme. The CC makes contributions to Mrs Carstensen's private pension scheme in line with civil service pension arrangements.

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 Retail Prices Index (RPI). 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 RPI.

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

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

Further details about this and other civil service pension arrangements can be found at www.civilservice-pensions.gov.uk.

For the year ended 31 March 2011, employer's contributions of £1,165,000 were payable to the PCSPS (2009/10: £1,222,000).

16. Contingent liabilities

There are no contingent liabilities to report.

17. 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 NHS Institute for Innovation and Improvement, Legal Services Board, Office of Manpower Economics, Low Pay Commission, National Heart Forum and to a private company Sinclair Knight Merz.

18. Events after the reporting period

There are no post balance sheet events to report.

The Government's consultation on possible changes to the UK competition regime closed on 13 June. The CC is discussing with BIS officials and ministers the various issues set out in the consultation. Ministers are expected to publish their decision in the autumn.

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

Members' biographies

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

Jayne Almond (appointed in 2005) is currently Chief Executive Officer of Stonehaven, a specialist mortgage lender, and has recently been appointed as an external member of Council of the University of Oxford. Jayne was previously Managing Director of Barclays mortgage business, Group Marketing Director at Lloyds TSB and Managing Director of its European Internet banking business. In her earlier career Jayne worked for Shell and was a senior partner at LEK Consulting.

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. Until 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 with HM Treasury. He was until recently 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, a trustee of the Avon Pension Fund and an expert adviser to a number of other corporate and Local Government Pension Funds. She was Head of the Investment Floor at Abbey Asset Managers and a Director of Murray Johnstone and the fund manager of two award-winning investment trusts. She is also a non-executive director of Shires Smaller Companies plc and of JP Morgan European Smaller Companies Plc, Chairman of Lomond School and a council member of Sport Scotland.

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 non-executive director and Chairman of the Audit Committee of Eniro AB, and a director of Manzanita Capital. She is a former Teaching Fellow in Strategic and International Management at the London Business School and member of the Independent Television Commission and a Trustee of Refuge. 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. He is a visiting fellow at Oxford University's Saïd Business School Centre for Corporate Reputation.

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 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 as Governor of Port Regis School. He acts as a Forensic Accountant and works with various charitable and business organizations. 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 currently a member of the General Teaching Council for England, and a trustee of Guide Dogs for the Blind. She is a Chartered Engineer and a Fellow of the British Computer Society. She has previously been a non-executive director of NDI Ltd, a member of several trade organizations, including a Regional Council Member and an Education and Training Committee member of the Confederation of British Industry, 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) was previously an Economics Partner at PricewaterhouseCoopers. He specializes in the application of economic analysis to competition law, intellectual property and sport. Thomas is the founding director of the Intellectual Property Research Centre at the Imperial College Business School London where he teaches courses on IP Valuation and Strategy 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) has been 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, Katherine 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 is the immediate past Chairman of the Joint Working Party of the Bars and Law Societies of the UK on Competition Law.

Alexander Johnston (appointed in 2005) is an external member of the Finance Committee and Chairman of the North West Cambridge Project Board of Cambridge University, senior adviser to a corporate advisory firm Lilja & Co AG and a member of the Thames Estuary Steering Group. He was until 2003 a Managing Director at Lazard, London, where he worked in corporate and project finance, mainly in electricity, rail and utility industries, in the UK and in Europe. He has also been Chairman of BMS Associates Limited, a reinsurance broker.

Ian Jones (appointed in 2005) is Director of Croft Consulting Services, an economics consultancy. He is a member of the South West Strategic Health Authority Panel on Co-operation and Competition. He was a director of Economic Consulting and Head of European Transport Practice at NERA, where he was involved in the privatization of UK airports and railways, and directed major studies for the European Commission on the use of market mechanisms to allocate scarce airport capacity; on rail infrastructure charging and regulation; and on competition in European aviation markets. He has 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 privatizations. 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) was originally a scientist. He was an Executive Main Board Director of Asda Group Ltd and Asda Financial Services Ltd and held senior director positions at Tesco Stores Ltd and CWS Ltd. His public roles have included the board of a Healthcare Trust and the British Retail Consortium. He was economic spokesman for the CBI and Chairman of the Brussels-based CIES International Product Standards and Trade Body. Until recently a Health and Safety Commissioner and Chairman of the HSE Audit Committee, John also sat on the original Deregulation Task Force. He is Chairman and founder of SVA Ltd, a non-executive director at the Co-operative Group and a non-executive director of Nichols PLC.

Professor Robin Mason (appointed in 2009) is Professor of Economics and Associate Dean of the Business School at the University of Exeter. Previously he was Eric Rill Professor of Economics and Head of Economics at the University of Southampton. He is a fellow of the CEPR and associate editor of the *Journal of Industrial Economics*. He has acted as adviser to Ofcom and the Prime Minister of Mauritius on competition policy.

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 specializing 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 specializing 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 and National Secretary of the Western Front Association.

Jeremy Peat (appointed in 2005) is Director of the Edinburgh-based David Hume Institute and Chair of the BBC Pension Trust. Previously he was Group Chief Economist at The Royal Bank of Scotland from 1993 to 2005, a member of the BBC Board of Governors and then Trustees from 2005 to 2010 and an economic adviser to the Scottish Office, HM Treasury and other government departments. He is a fellow of the Royal Society of Edinburgh, an Honorary Professor at Heriot Watt University and a board member of both the Royal Zoological Society of Scotland and the Signet Accreditation Company.

Ed Smith (appointed in 2009) is a former senior partner and Global Assurance Chief Operating Officer and Strategy Chairman of PwC. He now enjoys a portfolio of board roles in education, transport, sport, 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 board member of the Department for Transport and Chairman of the Student Loans Company.

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 privatization. Currently, he works as an independent consultant, and is an associate of Indepen Consulting Ltd. He is also a trustee of Groundwork North London, an environmental regeneration charity, and a member of the Groundwork London Board.

Anthony Stern (appointed in 2005) is a director of InterContinental Hotels UK pension trust. 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. He then helped set up the new regulator. He is currently Deputy Chair of the Joseph Rowntree Foundation, Chair of the Joseph Rowntree Housing Trust Board, Editor of *The Friends Quarterly*, a member of the Information Rights Tribunal, a trustee of the Ofcom Pension Scheme and a trustee of the Sandford St Martin Trust.

Professor Sudi Sudarsanam (appointed in 2005) is Emeritus Professor of Finance & Corporate Control at Cranfield School of Management. 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 is Honorary Senior Visiting Fellow at the Mergers and Acquisitions Research Centre, Cass Business School, London, and an affiliate of the Centre for Management Buyout Research at Nottingham University. He is a visiting professor at Imperial College, London. He is an Associate of the Chartered Institute of Bankers, London.

Richard Taylor (appointed in 2005) was a partner at CMS Cameron McKenna, where he worked for 30 years and specialized in competition law. During this time, he also both founded and chaired CMS, an alliance of European law firms. He is a member of the board of the Solicitors Regulation Authority and is co-chair of the Corporate Social Responsibility committee of the International Bar Association. He is also 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. He was also General Editor of the *Journal of Industrial Economics*. Currently, he is Chair of the (UK) Network of Industrial Economists. 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 non-executive director of Countrywide Principal Services Limited and a Chartered Accountant in England & 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. He is a consultant to professional regulatory bodies and has been a consultant to BIS.

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 to 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. Their biographies can be found on the CC website: www.competition-commission.org.uk/our_peop/members/index.htm.

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, Research Director of INRA at the Toulouse School of Economics at the University of Toulouse, visiting scholar Department of Economics, Northwestern University, and a research fellow of the Institute of Industrial Economics.

Professor Richard Green, Director of the Institute for Energy Research and Policy, and Professor of Energy Economics and Director of MSc Economic Policy in the Department of Economics at the University of Birmingham.

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 Industrial Economics at University of Oxford (on special leave) and a Senior Research Fellow of Jesus College, Oxford, and Professor of Economics, University of Mannheim.

Dr Philipp Schmidt-Dengler, Professor of Economics at the University of Mannheim and Reader in Economics at the London School of Economics.

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

Dr Andrew Sweeting, Assistant 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.

Senior team biographies

Rachel Merelie, Senior Director, Inquiries. Rachel Merelie joined the CC as an Inquiry Director from Cap Gemini Ernst & Young in 2003. 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 the market investigation into personal current accounts in Northern Ireland and has worked on a variety of merger inquiries including several in the media sector. She became Senior Director, Inquiries, at the end of 2007 with oversight across the inquiry teams.

Mark Bethell, Inquiry Director. Mark Bethell joined the CC in 2008. He previously 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.

Douglas Cooper, Inquiry Director. Douglas Cooper joined the CC in 1999 as an Economic Adviser. He acted as lead economist on many merger and market inquiries. Before joining the CC, he worked at BIS 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 became an Inquiry Director in 2007, and has led several merger inquiries, and the market investigations into railway rolling stock leasing and the current investigation into the Local Bus Services market.

John Pigott, Inquiry Director. John Pigott joined the CC in 2003 from consultants Stern Stewart. He had previously held various positions at Tate & Lyle including senior treasury, planning and IT roles. Since joining the CC, he has worked on a wide variety of merger inquiries, market investigations and appeals. His most recent work includes directing the CC's consideration of price control appeals by Cable & Wireless and by TalkTalk Group and the Thomas Cook/Co-operative travel agency merger inquiry.

Anthony Pygram, Inquiry Director. Anthony Pygram joined the CC in 2005 from the then Department of Trade and Industry, where he worked on, among other things, mergers, nuclear non-proliferation and state aid. He has also worked as a postdoctoral researcher in ceramics, in product development of microporous materials, and in the nuclear industry. Since joining the CC, he has 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 Ratcliff Palfinger/Ross & Bonnyman merger inquiry.

Caroline Wallace, Inquiry Director. Caroline Wallace joined the CC in 2005. She spent the previous five years at Oftel and then Ofcom, where she was a Director of Competition Policy. She is a chartered engineer and, prior to joining Oftel, had worked in the telecommunications, water and manufacturing industries. Since joining the CC, she has worked on merger inquiries in the transport, chemicals, food, entertainment and software sectors.

Andrew Wright, Inquiry Director. Andrew Wright joined the CC in 2005. Previously, he was a manager at Deloitte Corporate Finance where he advised on transactions in the technology and telecommunications sectors. He is a Chartered Accountant, having initially trained with Arthur Andersen. Since joining the CC, he has led inquiries in various sectors, including live music event promotion and ticketing, health food retailing, the transmission of television and radio, Stilton cheese production and mass spectrometry. He is currently leading the market 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. He is a Chartered Accountant and has an MA in economics from Cambridge University. Since joining the CC, he has led advice on remedies and business analysis for a wide variety of mergers and several market investigations.

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 specializing in telecommunications 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, and has led the financial analysis in a number of market and merger references and regulatory appeals.

Adam Land, Director of Remedies and Business Analysis. Adam Land joined the CC in 2004 from HM Treasury where, among other responsibilities, he worked on the Cruickshank Review of banking service and the Barker Review of housing supply. Before that, he worked as an economist at the OFT for five years, specializing in mergers and financial services. Since joining the CC, he has worked on a number of significant cases, including the Payment Protection Insurance and Home Credit market investigations and the BSkyB/ITV merger inquiry.

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

Alison Oldale, Chief Economist. Alison Oldale joined the CC in 2009 from consultancy LECG, where she was Director. 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.

Robin Finer, Director of Economic Analysis. Robin Finer joined the CC in 2007. 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, particularly transport and financial services. He has also worked in the Directorate General for Competition of the European Commission in Brussels where he dealt with antitrust matters in the food, drink, agricultural and pharmaceutical sectors.

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 economics team in 2003. He has worked on many inquiries. Before joining the CC, his 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 on areas of commercial law and regulation, including energy, competition, communications and trade law. This included the reform of EU and UK competition and communications law from 2000 to 2006. He has 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 specialized in competition and regulation, previously holding legal and policy posts at the Office of Rail Regulation and Ofwat. Before joining Ofwat she was a solicitor in private practice specializing in corporate, commercial and regulatory law. In addition to her involvement with investigations, Carole has helped revise the CC's working practices and prepare guidance, most recently participating in the review of the merger guidance. She is responsible for the CC's participation and contribution to international discussion of competition policy at the OECD and ICN.

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 where she specialized in EU and competition law. She was seconded to BIS in 2003 where she worked as a competition policy adviser on the media merger provisions of the Communications Act 2003. Since joining the CC, she has advised the CC on merger, market and regulatory inquiries as well as acting for the CC in litigation. She has also been involved in revising the CC's merger guidance and merger remedies guidance and in developing 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 Department of Work and Pensions 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.