Belfast, 29 September 2021

RE: Open Consultation, Reforming Competition and Consumer Policy

Appendix: White Paper, Northern Ireland Productivity Forum

To whom it may concern,

I write to you with a few observations on the Department for Business, Energy & Industrial Strategy's open consultation on the future of UK competition and consumer policy. I write this in a personal capacity, drawing on my experience as an economics lecturer specialising in economic history and competition policy. Given where I live and work, my brief comments have a specific Northern Ireland-focus.

Northern Ireland has a peculiar economy compared to the rest of the UK. It has always had lower productivity levels than Great Britain, even before the terrorism and political violence of the Troubles. Today this region's economy is dominated by small and medium-sized enterprise, much of which remains family-owned. Even prior to Brexit, Northern Ireland's economy was in many markets separate and separated from that of Great Britain. This is especially the case in banking, insurance, energy and transport, but impacts many other market, such as online retail. Meanwhile, many areas of business are all-Ireland; there is significant cross-border trade in goods and services and many firms have operations in both of Ireland's jurisdictions.

While competition policy itself is not devolved, many areas of economic regulation that intersect with competition are devolved; in practice the UK's competition regime already works differently in Northern Ireland. UK competition policy's typical focus on large markets with concentrated ownership means that this regional economy typically has not featured much in the work of the CMA and its predecessor institutions. The fact that some of Northern

Ireland's product and service markets are more integrated with those in the Republic of Ireland than with Great Britain further complicates competition policy.

We know from the work of economic historians that competition and productivity are inextricably linked. The work of Nick Crafts in particular shows that the UK's greatest productivity enhancements came from stronger competition, and that the professionalisation of competition policy lead by more independent competition regulators was an important component of this.[1] There are various channels through which competition can lead to productivity improvements – some are discussed in a recent CMA report.[2] One that seems particularly important to me is management quality. The work of John Van Reenen has highlighted this channel using extensive surveys of managers across the world.[3] Northern Ireland is reported separately in Van Reenen's analysis, and management quality here is lower than in Great Britain. I suggest that the peculiar industrial organisation of this region's economy may explain this finding.

An important first step in competition policy work used to be to agree on a market definition, both for the product market and the geographic market. The CMA's current prioritisation principles stress that it will deliver 'direct financial benefits to consumers of at least ten times our relevant costs to the taxpayer'.[4] While geographic market size does not feature explicitly in these principles, it is there implicitly in the discussion of resource implications. As a direct consequence, I fear that Northern Ireland does not get much of a look-in. We are too small to matter. I see no change in this approach in BEIS's consultation documentation. Indeed, I do not see much mention of Northern Ireland at all in this consultation exercise.

In conclusion, I would like legislators to consider that the UK's one-size-fits-all competition policy framework may not be appropriate for the entirety of the country. It is

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[1] Nicholas Crafts (2012), 'British relative economic decline revisited: The role of competition', *Explorations in Economic History*, vol. 49, no. 1, pp. 17-29.

[2] Competition and Markets Authority (2020), 'The state of UK competition', Document No. CMA133.

[3] John Van Reenen (2011). 'Does competition raise productivity through improving management quality?', *International Journal of Industrial Organization*, vol. 29, no. 3, pp. 306-316.

[4] Competition and Markets Authority (2014), 'Prioritisation principles of the CMA', Document No. CMA16.

worth investigating, for example, whether Northern Ireland may require different case prioritisation criteria, ones that takes account of this region's peculiarities. I note that the CMA has been expanding its presence in Northern Ireland in recent years, a very positive development that will no doubt enhance its regional market intelligence. I propose that this regional presence is further expanded and given some measure of operational independence to pursue competition cases here. For example, the new integrated market study framework proposed in the consultation documentation could be put to the test on some of our more peculiar markets.

I enclose with this letter a white paper authored by two colleagues here at Queen's University Belfast on productivity in Northern Ireland.[5] It describes the issues facing this region's economy. It might help in your thinking about how competition policy may affect different regions differently.

Please do not hesitate to get in touch if you wish to discuss any further.

Yours sincerely,

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[5] David Jordan and John Turner (2021), 'Northern Ireland's productivity challenge: Exploring the issues', White Paper, Northern Ireland Productivity Forum. (Forthcoming, https://www.productivity.ac.uk/)