

*Consultation response*

# Competition and Markets Authority – Prioritisation consultation 2023

Submission from ACRE, Action with Communities in Rural England and NCVO, The National Council for Voluntary Organisations.

## Introduction

ACRE is the national charity that works with rural communities throughout England to ensure that nobody from a rural location is unreasonably disadvantaged by where they live. NCVO is the membership body for the voluntary sector and volunteering in England and represents over 17,000 members, from large 'household name' charities to small voluntary and community groups

The CMA is required to have regard to a 'steer' given to it by the Government. Government has recently consulted on changes to that 'steer'. ACRE and NCVO responded to that consultation with a joint response proposing some additions to the Government's priorities.

## Background

The Government's philosophy, as described in the introduction to their 'steer' given to the CMA, is to make increasing productivity the primary goal, and that strong and fair market competition is the best way to achieve this. The drivers to enhanced productivity are, therefore, assumed to be greater consumer choice leading to a combination of lower prices and better-quality products and services.

In pursuing this philosophy, the 'steer' to the CMA identifies five, bullet pointed, 'expectations' that can be summarised as:

- Promote competitive markets that will drive investment, innovation and therefore growth.
- Take action (intervention?) that will reduce costs to businesses and consumers as a response to the current cost of living challenges.
- Ensure markets for digital services bring benefits to end users.

- Engage internationally in the context of the UK being outside of the EU and provide leadership over competition at home and abroad.
- Promote the Government's competition philosophy as outlined above.

The introduction to the Government's 'steer' to the CMA describes an economic landscape in which the competition-focused, invisible hand, of the market brings only benefit to consumers and that these benefits are primarily lower prices. The very existence of the CMA, however, seems to imply an understanding that in some cases, especially where markets do not behave in a 'perfect' way, this invisible hand can have negative effects that require intervention. This understanding, if it still exists, is not articulated by the Government. It is, however, very clearly set out in the CMA's purposes and ambitions.

In rural areas, where populations are dispersed and there may not be enough consumers to form a big enough market to create effective competition, the market does not operate in a 'perfect' way. The same can be true for peripheral, low income, estates where the residents do not have sufficient economic power to be of interest to competitive markets and for marginalised groups and those with very specialist needs.

There is in fact often a tension between firms' profit-seeking motivations and the lack of economic power held by consumers. We see this, for example, in the increasing unavailability of banking services that are suitable for charities and community groups, as banks reduce these services in the name of efficiency and high costs. Voluntary organisations play three roles in the various markets in which they participate: they are consumers themselves, they represent consumers, and they serve consumers. They exist to not only provide essential support, but also to enrich local communities. They do not make profits and they are often providing services to and/or representing groups that are impoverished, deprived, or otherwise marginalised in society. In all of their roles, therefore, they are likely to be the consumers with the least economic clout and the least ability to drive better value and access through competition.

The philosophy as set out by the Government is, we believe, flawed, as it is not realistic about the negative impact on some people of unbridled competition. This is especially the case where markets tend to focus on driving down prices for those who are profitable to serve, whilst abandoning those who are not. Recent experiences of banking services, discounted food retail, provision of broadband, connection to the energy distribution system and mobile phone coverage in rural areas are all examples of this.

As a contribution to the CMA's own consultation over its prioritisation we are, therefore sharing verbatim the response, below, that we made to the Government over its 'steer' to the CMA (suggested amendments are shown in *italics*):

### **Amendment to the second 'expectation', Section 3.**

The Government's steer to the CMA should adjust the 'Cost of Living' expectation in the following way:

"Prioritise action that addresses cost of living challenges – the CMA should prioritise interventions which will deliver better value for all businesses and individual consumers *and act to prevent competitive activity that causes some consumers and businesses to be abandoned, poorly served, or only served at an unjustifiable premium.*"

Once the overall priority has been amended in this way, it would be useful to add a further bullet point to those providing a focus for the CMA:

*Identify areas of essential services, (such as banking, food retailing, broadband, energy distribution etc.) where competition is hindering the delivery of benefits in terms of price or quality of service. Take action with firms and not-for profit providers to set aside competition rules where this will bring benefits to individuals, businesses, and community organisations.*

### **Amendment to the fourth 'expectation', Section 5.**

The third bullet point should be extended to widen the scope of the CMA's leadership to include the consequences of a vigorously competitive economy:

*Adopting an economy-wide approach to working with stakeholders across the UK, including those in the devolved nations and those who are part of or represent groups that are impoverished, deprived, or otherwise marginalised in society*

### **Contacts**

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