

## Response to CMA remedy proposals from [REDACTED]

As a small independent FOP covering a rural area I feel that the CMA remedies have placed me in some sort of David and Goliath Squid Game.

I have found it very difficult to comment of the individual remedies being proposed as to a certain extent they follow logically from the narrative presented. The problem is that the narrative, as presented, does not accurately reflect the real world or the wider responsibilities of the veterinary profession.

It would appear that the LVG's have been allowed to completely dominate the narrative reference of this CMA review and they have done so extremely effectively. Most of the consideration as to acceptable outcomes would seem to address the issues that they have largely created and are ones that the LVG's would be able to accommodate whilst maintaining their profitability through the economies of scale available to them. The disparate independent FOP's have been no match against the six corporates with professional full time employees presenting their case and with access to a wealth of stats and figures that can easily be produced to support or counter an argument. It does not surprise me that I have not heard much dissent to the remedies from the LVG's who should feel that they have got away very lightly.

Whilst accepting that some of the issues identified by the CMA would also apply to the FOP's forming 40% of the market I can see little evidence that any work has been done to determine the likely implication on them of the CMA remedies being suggested. I can also see no evidence or investigation to suggest that the proposed remedies are proportionate to the 'problems' in this sector of the market. There appears to have been no cost benefit analysis for clients and animal health on the likely effect of the proposed remedies. Like many others I just do not have the time to allocate to trawling through the CMA submission documents and cannot keep all the details in my head. However, I have been unable to find any suggestion of the likely impacts on small FOP's or what evidence backed some of the key suggestions – no need to trial - a short delay on the additional bureaucracy would mitigate the impact of the remedies – how the prescription charge was determined – what evidence suggested the RCVS was fit to develop computer monitoring systems. In addition I have been unable to find any evidence to support the implication of a regime mirrored by no other industry in its totality nor any evidence to support why an established principle of paying more for local convenience has been ignored. In my opinion the application of these one size fits all remedies would have a devastating effect on the sustainability of my practice and my ability to continue to provide the quality of veterinary services that I do now.

Comments such as 'Our view is that it is right, in a well-functioning market, that customers are made aware of their options and how they could individually save money. If better informed pet owners make choices which have an impact on veterinary businesses, and those businesses need to adjust their approach in response, this is the market working well.' cause me great concern. I can understand that from the current CMA perspective the above may mean the market is working well but I do not believe that it will leave the veterinary profession or the care provided to animals 'working well'.

The huge advantage of large economies of scale on overheads and vertical ownerships available to the LVG's have not been recognised as uncompetitive when determining possible remedies being applied to small FOP's. Therefore the importance of the contribution from a drug revenue stream has not been sufficiently recognised when assessing overall productivity of the small FOP's and their ability to maintain their level of service. The statement that 'prices are too high' is too simplistic, as

is the suggestion that it is realistic to compare procedures across a wide range of practices or our prices with the internet. Where is this reflected elsewhere in life?

I do not believe that my practice is making excessive profits. I have overheads, most of which I have little control over. I am restricted as to where and how I can buy my drug supplies. In both these elements size matters and provides economies of scale. I would also argue that the non drug elements of my overheads relate directly to the structure of my practice which, being rural does not have the luxury of operating in an area of dense client populations.

Like most other industries I recover these overheads through the two income streams I have available – sale of time and sale of drugs. If it is accepted that I am not making excess profits, which I have found no CMA evidence to suggest independent FOP's do, but my overheads are increased by enhanced bureaucracy and my revenue stream is restricted by being forced to compete with others, who have lower overheads and better buying options, my way forward is limited.

I can put up my prices, as I believe would be seen as acceptable by the CMA. However, this is only a viable policy if all in the market would be doing the same thing. As already stated the CMA have identified excess profits within the LVG group so presumably they would be able to absorb the new remedies, leave their current prices as they are and still remain profitable, just not as profitable. I do not have a similar margin that I could eat into so would become either unprofitable or uncompetitive on price. The only option open to me in that situation would be to cut costs. This could be done but would have a significant impact on the quality of veterinary service I was able to offer to my clients.

Staff are my biggest expense so I would have to look at reducing my staff overhead - employing fewer qualified vets and nurses, reducing the time my branches were staffed, reducing 'in patient' monitoring, reduce my training especially student nurses, reduce EMS visits and staff development activities. Other costs I could cut would be to have less routine maintenance of equipment, remove all but fast moving stock items from my dispensary or reducing the number of branches I operate from. All of this would have a devastating effect on animal welfare – not only in terms of the level of care they would receive but also the distance they would have to travel to get any veterinary care especially out of hours. The drop in the quality of veterinary care I could offer my clients would be unacceptable to me and I believe my team.

I cannot believe that the LVG's are doing anything but rubbing their hands in glee at your insistence that your remedies are applied equally to all, but even at this late stage I would implore the CMA to reconsider what they are doing. I would ask the CMA to accept that their remedies are only 'fair' if they relate to practices on a level playing field and relate to both parties' clients and practices. There is no other industry that would have anything like this level of enforced bureaucracy other than financial institutions where all the players in the market are on a level playing field. The enhanced regulation often leading to closing branches right left and centre.

There are well established precedents for companies across the economy not having to charge 'internet' prices at a local outlet. Not even John Lewis agrees to match internet prices and no other parties are being forced to list competitors' prices and actively encourage parties to buy from someone else.

I would ask the CMA to take a rather more holistic approach to their remedies. It will not be to the better good if their attempt to get 'a market working well' actually results in less accessibility to veterinary services or lower standards. I would ask the CMA to recognise the most independent FOP's are a very different beast to the large LVG's and that the future of the whole profession, and

the current choice within it, deserves more than just a focus on matching internet prices and producing endless pieces of paper.

As an independent small animal FOP I cannot respond in detail to all the many facets of the proposed remedies but would make the following comments on some specific CMA statements:

**The main focus of our inquiry is into veterinary businesses not individual vets.**

Unfortunately statements of this nature have significantly influenced public expectations which I believe to now be at a totally unreasonable level and based on an inaccurate narrative. The possible remedies do not represent the best way forward and we are already suffering from the huge damage this portrayal of the veterinary market has done to the trust which is the corner stone of best practice

**It is also important that veterinary businesses provide a quality service that people can afford**

I would totally agree with this premises and would argue very strongly that my practice has offered this for the last 45 years that I have been involved with it. Unfortunately the focus on price alone will now distort the whole market and I would respectfully suggest that the CMA has not understood the intricacies of the veterinary industry sufficiently, particularly at the independent level, to be able to 'best guess' the consequences of their proposed remedies on small independent rural practices such as mine.

**It is crucial that people pay a fair price**

A fair price has an element of quality to it that the CMA seems to have completely ignored. There are many things, such as the type of anaesthetic we use, the fact that we laser ever wound after surgery to aid healing, that we extensively use monitoring equipment when an animal is under anaesthetic and the type of induction agent we use all differentiate the product we offer. In most cases the client would not understand the significance of these elements even if considerable time was spent explaining why we feel these are necessary. A fair price in this situation must relate to what we do and what it actually costs us. We should not be forced to 'compete' with others with lower overheads or offering what we would consider an inferior product. We believe we offer our clients the best value for money but the CMA appear to be educating them along the lines of 'a procedure is a procedure and only the price of that procedure matters'. I would profoundly disagree with this approach. If the CMA remedies focus on specific drug or procedure prices which cannot be provided for the same cost across all practices then the remedy is not fair. I would ask that the CMA provide remedies that would allow small FOP's with the ability to buy and spread overheads at a comparable level to LVG's before the suggested remedies are imposed.

A fair price also has an element of convenience. I think it is accurate to say that everyone accepts they will pay more for a tin of beans in their local shop than they will from a superstore or the internet. It is unclear to me why this principle would not be reasonable to extend to the supply of veterinary services. As far as I am aware there is nothing forcing

small local convenience stores to charge the same prices as the large superstores nor is there anything displayed to suggest that I can buy the same product from a superstore or an internet for less money. If this is an accepted principle in the important supply of food products I do not understand why different, and much more onerous, regulations would be suggested appropriate for veterinary services. The small FOP's are comparable to the local convenience stores whilst the VLG's are obviously the superstores. I believe that the public understands and accepts this premise and would ask the CMA to extend it to their proposed remedies.

In order to be sustainable in the long term a price needs to be 'fair' to both parties, the buyer and the seller. This can only be achieved if everyone in the market is able to buy the elements of the business on a level playing field and has equal opportunities to recover overheads. This is definitely not the case in today's veterinary industry. I serve a rural community and have to have several branch surgeries and cover a sufficient catchment area to provide sufficient clients to allow me to provide a quality service to my clients. I do not have the advantage of the large discounts available to the LVG's for drugs purchases and if I am forced to push more drug business to other parties my discount on the remaining products will go down. I do not have the advantage of centralised overheads and a large number of outlets over which to spread those overhead costs. I do not have the advantage of owning a vertical chain of related companies which would also allow me to further spread certain overhead costs. I have no LVG type economies of scale to share with my clients so to be 'fair' to all parties I would ask that the CMA, before imposing the proposed remedies, take steps to level the playing field on drug purchases as well as accepting that certain practices covering certain locations have disproportionately higher overheads per client than a similar corporate location.

A 'fair' price also has an animal welfare implication. If I cannot afford to continue to stock the full range of drugs I currently do I will not be able to start a treatment immediately. If I am no longer able to make a particular branch 'stack up' financially then my clients will have to travel further for veterinary treatment and this will further limit their choice options. If the trade off for being able to continue to provide immediate treatment for their pets and only having to travel a short distance to their nearest surgery is the acceptance that they may pay slightly more than they would if they lived in the middle of town, or only bought from the internet, then I believe my clients would want the status quo and not to be bombarded with alternatives and additional costs every time they attended the practice. We have already had 'kick back' against the price transparency we have already in place with the suggestion that we care more about our prices than their pet's care. Currently the CMA is suggesting that clients should only accept that they can get local services at internet prices but I do not believe this to be financially viable. Treating us all the same is certainly not fair.

A 'fair' price is only fair to the client if it relates directly to the actual costs of providing the service. A distinct disadvantage of producing endless comparative price lists is that an 'accepted' price can be established for a particular procedure. This can then be adopted by all vets irrespective of whether they are providing a good quality of service for the price or not and clients will be none the wiser. Where an 'accepted' price is used by one and all irrespective of the relationship it has to an individual practice standards of quality or their direct costs it does not represent a fair price or a 'market working well'.

The final element of a 'fair' price where a market is working well is a recognition of the power of the LVG's to price out the competition by running 'loss leaders' to distort the market. There has already been evidence of this in the vaccination for life regimes run by some of the corporates which were designed to capture new clients as it is recognised many clients stay with whom they first register. On the face of it these schemes offer fantastic value for the client and would presumably match the criteria for innovative pricing encouraged by the CMA. In reality most clients were not able to take advantage of the apparent savings being offered, as they either moved or forgot about them, and they 'paid' through higher prices elsewhere. The LVG's alone are in a position to partake in this type of activity and there appears to be nothing to stop them doing prolonged campaigns, nationwide or in a particular area, to force their competition out of business as has happened in other industries. The focus of the CMA to get clients to only consider price in their buying decisions would encourage and reward this type of behaviour.

**Prices rose by 63% between 2016 and 2023 (considerably faster than general inflation).**

Unfortunately whilst prices may have risen by 63% my profits have not and the tax I pay on those profits has also increased significantly. I would ask that the CMA do look at all sides of the equation. I would also ask that the CMA consider other players in the industry that clients appear not to be complaining about, such as the price of puppies, grooming and behaviourists that have risen significantly more than 63% in the same period. None of these services have anything like the investment of the average veterinary practice but are acceptable to the same buying clients. This would suggest that the whole 'pet' market is not working well if vets are being singled out by the CMA as overcharging. I would ask that the CMA recognise that their perceptions of the veterinary industry could have been unduly influenced by a vocal social media group with a propensity to purchase breeds with known inherited issues and then complain about the costs of those conditions being treated. Clients have to take some responsibility for the rise in their vet fees.

I have found it very difficult to extract certain data from the CMA submission documents. A key piece of information that seems to be missing is exactly what the CMA believes to be a reasonable profit margin for a small FOP. I have found the comment that the LVG's are, in the CMA's opinion, making too much money but there seems to be no similar analysis for the other 40% of the market suppliers. All the evidence (personal discussions and external benchmarking) would suggest that most FOP's are not making excessive profits and are actually often overstating their profit by not including 'owned' property rentals costs or fully charging for partners time etc so I do not believe that there are generally excess profits in this sector of the market. It is therefore very concerning that the CMA is making blanket statements about the affordability of their remedies based purely on the evidence of the LVG's.

**Even where pet owners could access some of this information, it is difficult for them to compare prices and services despite the fact that, in most of the country, there are several local practices they could choose between.**

It is my experience that this mirrors the situation I find with other industries such as supermarkets. However, if I walk into supermarket 'A' I am not faced with a display which compares the prices in 'A' to all the other supermarkets in the area – and I would not expect

it. Further the price that is listed on supermarket 'A's' internet page is not necessarily the same as I will find in the particular store I have entered.

I feel that the general public is much more savvy than the CMA is suggesting and they are also aware that they may not be always buying the cheapest but have made their buying decision on a varied and often changing set of parameters. Further, whilst we all understand what a 'can of beans' is and that there is a difference between brands the general public is not really in a position to make a similar comparison between different types of vaccines or worming products.

I would ask that the CMA is more realistic in accessing what a member of the public should reasonably be advised of when making a buying decision. The average client makes buying decisions every day without being in a 'perfect' market situation so I believe it is reasonable for them to also do so in the veterinary market without onerous responsibilities being placed on their veterinary practice to identify alternative purchasing options. Veterinary practices should be transparent about their prices but have no further responsibilities.

### **Supporting pet owners to know what to expect and make choices**

Whilst totally supporting this in principle the remedies suggested by the CMA are far too onerous and time consuming. If applied as currently suggested the remedies would lead to a proliferation of the time spend on generating pieces of paper – all time that has to be paid for in some way. I can see no benefit to the level, propensity and complexity of the current suggested remedies. I would remind the CMA that it is not in my best interest to do work that the client cannot pay for so I believe that my practice already achieves the stated objectives without anything like the level bureaucracy suggested. Taking time to chase payments or recover debts through the courts is totally unproductive – it is better to get it right at the start but that does not necessitate the kind of measures being proposed.

Can the CMA also understand that giving the small FOP's a short period of time to comply with all the additional beaurocracy does not solve the problem. The problem is the total level of the additional bureaucracy we are being asked to facilitate on an ongoing basis. Could the CMA please review if these remedies are really necessary in the small FOP situation or have been agreed by the LVG's who would have the resource to easily comply with whilst providing yet another difficulty for their competitors to overcome.

### **We plan to require a regular survey to publicise pet owners' experiences of different veterinary businesses.**

I feel that we already have many much more effective means of clients comparing their veterinary experiences including word of mouth and social media and dedicated comparison sites. I do not believe anything further can be gained by this suggestion.

### **We shall also ensure that veterinary businesses have in place written policies and processes to ensure that vets and vet nurses are able to give pet owners independent and impartial advice.**

Could the CMA please recognise the damage that this type of statement does. The clear inference is that this is not already the case. In my experience this is categorically not the

case and is already covered by the RCVS code of conduct. To suggest that the CMA can have any influence on this element of the business is disingenuous at best.

The one area that does need to be addressed is the lack of confidence in vets which results in a greater emphasis on referral under their understanding of giving 'informed consent' to the client. The contextualised care currently being promoted by the RCVS has not been clarified sufficiently to provide unconfident vets with an understanding of where the balance should be and referral is often offered, suggested as an option simply on the basis that the client is insured. The lack of confidence in recently qualified vets and the fact that most have been trained in a university referral centre has a much bigger influence on expensive and possibly unnecessary referrals than any restrictions on them giving appropriate independent and impartial advice to clients being imposed by a practice.

**Enabling pet owners to make large savings on what they pay for medicines by requiring vets to tell them that the price of medicines can be significantly cheaper online; making it easier to use online pharmacies; imposing a cap on prescription charges and incentivising vets to reduce their medicine prices.**

I would consider this statement to represent the situation as being far more simplistic than it actually is. The CMA should be promoting Value for Money which assesses all the elements involved in the cost of providing the service not just focusing on price. I am unclear as to how I am to be incentivised to reduce my medicine prices when I am not making excessive profits and the CMA is doing nothing to address this issue from a buying perspective – this option is only available to the LVG's as they apparently have excessive profits which can be reduced.

In summary

The remedies would be of some merit if:

- The CMA review had not been dominated by the professionals acting for the LVG's
- Clients could really get the best outcomes for their pets by buying their veterinary science purely on price and by knowing who owns the practice they attend
- The CMA remedies were 'fair' to both the clients and all practices
- The veterinary industry were just selling 'cans of beans' where comparisons of even the most common procedures were actually meaningful from one practice to another.
- The CMA had recognised the focus should be on Value for Money not simply price.
- The CMA had recognised that providing comparative prices can also lead to a 'cartel' type situation on prices.
- The CMA had ensured that the veterinary industry worked on a level playing field in terms of buying options and overhead recovery.
- The CMA recognised the impact on practice finances of the huge disparity between the allocation of overheads across clients from, not just LVG as against independent FOP's, but also between urban practices (large local volume of clients) as against a practice serving a

more rural community (much lower level of clients over which to recover overheads for the same level of service).

- The CMA recognised the additional advantage that the corporates have to spread overhead costs and achieve better buying terms through their vertical integration of auxiliary businesses which is appearing to go unregulated or controlled but is certainly anti-competitive when considering the industry as a whole.
- The CMA recognises the advantage the LVG's have in meeting and sustaining the enhanced level of bureaucracy required in the proposed remedies in not just originating costs but also the maintenance costs of these requirements. Are they really required for all practices? Does the cost justify the potential return to the client?
- The CMA recognised what a catastrophic track record the RCVS has with software development. They are not the body that should be tasked with any further data collection exercises.
- The CMA had carried out extensive reviews of the realistic impact of their remedies on the profitability and sustainability of small independent FOP's.
- The CMA had carried out extensive cost benefit analysis of their proposals on the clients of small independent FOP's.
- The CMA had carried out its investigations without having totally undermined respect and trust in the profession which is very hard to live with.
- The huge lack of confidence in recently qualified vets needs to be addressed for the veterinary market to work well for clients.

As none of the above are true the adverse impact of the CMAs proposed remedies cannot be understated, particularly in small independent FOP practices.

Suggested amendments in order of priority:

- Remove the requirement for the remedies to be applied to independent practices until proven to be of value when applied through the LVG's. Specifically
  - Remove the need to meet or promote internet prices for drugs but maintain the need for transparency on other procedures
  - Remove the cap on prescription pricing
  - Maintain the requirement to 'inform' but without insistence on the proposed additional bureaucratic overheads
- Undertake an extensive cost benefit analysis for clients on the provision of veterinary services in independent FOP's and the sustainability of the proposed remedies
- Promote the value and honesty of the profession and understand the need to protect the veterinary profession as a whole as part of 'a market working properly'
- Please don't let the corporates win the day.