



COMPETITION COMMISSION

**ANNUAL REPORT & ACCOUNTS
2013-2014**

Competition Commission
Annual Report and Accounts for the year ended 31 March 2014

Prepared by the Competition and Markets Authority, and presented to Parliament, pursuant to paragraphs 12 and 12A of Schedule 7 to the Competition Act 1998 and paragraph 2(8) and (10) of the Schedule to S.I. 2014/416 (C. 17)

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The work and the role of the Competition Commission

The Competition Commission (CC) was an independent public body which conducted in-depth inquiries into mergers and markets and also had certain functions with regard to regulated industries.

The CC did not initiate inquiries independently. All its main activities were undertaken following a reference or appeal to it by or from the decisions of another authority.

Mergers

The Office of Fair Trading (OFT) referred mergers to the CC where it believed there was a realistic prospect that the merger had led or may have led to a substantial lessening of competition (SLC) in a UK market. In exceptional cases where a merger raised certain public interest issues, the Secretary of State may have also referred mergers to the CC.

Where a merger was referred to it, the CC carried out an investigation and decided whether it had resulted or may be expected to result in an SLC. If so, the CC had wide-ranging powers to remedy any competition concerns resulting from the merger, including preventing a merger from going ahead, requiring a company to sell off part of its business or take other steps to improve competition.

In the water and sewerage sector there was a special regime under which mergers between certain water enterprises had to be referred for consideration by the CC.

Market investigations

The OFT and sector regulators had various powers to study and review UK markets. If they suspected that there were competition problems in particular markets, they could refer those markets to the CC for in-depth investigation. In some situations, the Secretary of State could also refer a market to the CC.

In a market investigation the CC had to decide whether any feature or combination of features of the referred market

prevented, restricted or distorted competition. If it did so, it sought to remedy the problem, either by introducing remedies itself or recommending action by others.

Reviews of remedies

If the OFT considered that, due to a change of circumstances, any remedies required by the CC in a merger or market investigation, or in certain other cases, needed to be varied or terminated, the OFT referred the matter for decision by the CC.

Regulatory references and appeals

The CC had various functions under legislation which regulated the supply of gas, electricity, water, sewerage, rail, air traffic services, airport services, postal services, electronic communications and public health care. The CC's task was generally to determine disputes concerning proposed changes to the price controls, terms of licences or other regulatory arrangements under which undertakings in these sectors operate. It also had some functions under the legislation regulating the provision of financial services and legal services, and the Competition Act 1980.

Institutional change

In 2012 the Government announced its plans for reform of the UK's competition regime. These included creating a single Competition and Markets Authority (CMA), which would perform the functions of the CC mentioned above, as well as the competition functions and some of the consumer functions of the OFT. The Enterprise and Regulatory Reform Act, which gave effect to these reforms, received Royal Assent on 25 April 2013; the CMA came into existence on 1 October 2013 and acquired its powers on 1 April 2014, when the CC was formally abolished.



Chairman's Statement

The CC ceased to exist on 1st April 2014. All the functions and the vast majority of the staff moved into a new organisation, the CMA, on 1st April. The transition to the new institution absorbed a huge amount of CC staff time and energy, and everyone, to varying degrees, had to live with uncertainty about their own futures. In many organisations this would have had a devastating effect on morale, teamworking, commitment and effectiveness, and lead to a high level of staff turnover. None of these effects were apparent in the CC. The quality of the work had been as high as ever, probably higher, staff turnover had been no higher than average, and in the most recent Civil Service Staff Survey staff demonstrated a level of commitment to the organisation which was significantly higher than that of more than 75% of civil service departments. That would have been an excellent result in normal times. Given the uncertainty of the last two years it was an extraordinary one.

I was enormously grateful to everyone for their commitment, professionalism and teamwork in such difficult and stressful times. It was a real privilege to be part of such a great organisation.

Nor did we have the luxury of a light load of casework. We had one of our busiest years, and in truth the casework had not been easy. We had taken some difficult, some might say courageous, decisions. These had not been influenced by the impending replacement of the CC by the CMA. Each of our decisions was reached only after a thorough and dispassionate examination of the evidence by different groups of independently-minded members. Those decisions included:

- In the Aggregates and Cement market investigation the finding that coordinated effects in the cement market led to an adverse effect on competition (AEC) in that market, for which the only effective remedy was the divestment by Lafarge, the largest producer, of one of its cement plants. This was the first time in a market investigation that we had found the existence of coordinated effects in a market or imposed remedies of this nature to address them. The

decision is currently under appeal to the Competition Appeal Tribunal (CAT).

- In the Audit market investigation the order was for all FTSE 350 companies to retender for their audit services at least every ten years. Several have already done so.
- The prohibiting of the proposed merger of Bournemouth and Poole NHS hospitals, the first such transaction to be referred to the CC, on the grounds that the hospitals were unable to provide persuasive evidence of any potential patient benefit arising from a merger which would have significantly reduced patient choice.
- The decision to prohibit Eurotunnel from running its recently acquired SeaFrance ferries on the Dover-Calais route, on the grounds that it would be likely to have used its market position as operator of both Eurotunnel and a ferry service to drive other ferry operators off the route. This was a transaction which had been cleared by the French authorities, and this decision too is currently under appeal.

The CC also had a busy year defending a number of appeals against our process and our decisions. While we were generally successful the CMA will face continuing challenges to the fairness of its procedures, particularly around the way in which it discloses confidential information to affected parties. The issue rose mainly, though not exclusively, in market investigations, particularly where we sought to impose remedies which were seen by parties as intrusive. We had an absolute obligation to run a fair process. But we could not disclose information where that would be genuinely harmful. And we could not allow the time and cost of disclosure through mechanisms like confidentiality rings and data rooms to lengthen or increase the cost of inquiries unduly. To do so would damage both the reputation and the effectiveness of the competition regime.

Now that the CC has carried out its last inquiry it is of course impossible to resist the temptation to look back.

Chairman's Statement (*continued*)

On 1st January 2014 we celebrated our 65th birthday. We were created as the Monopolies and Restrictive Practices Commission in 1949, and went through two name changes before becoming the Competition Commission in 1999. In that time we produced more than 604 reports, with 11 Chairmen, hundreds of members and thousands of staff. Reading the history of the CC and its predecessors, and talking to previous members and staff, it is clear that the influence has waxed and waned, but the most recent period, since the Enterprise Act gave us the power to take decisions, rather than just recommend them, has been a fitting culmination. I do believe that the CC's reports and decisions over the last 11 years have made a truly significant contribution to the economic wellbeing of the UK, as well as to our understanding of how markets work, and should work.

While most members and staff have transferred into the CMA, we said goodbye to some important people. Penny Boys, Grey Denham, Janet Paraskeva and Lesley Watkins, our non-executive Council members, were a tower of strength to the CC, and particularly to me. Their wisdom and clear-sightedness was hugely valuable, never more so than in guiding the CC through its last unsettled year. We also said goodbye to 12 members, mostly those from the 2005 intake who finished the inquiries which bound them to us. All served the CC with commitment and distinction, but I would like to say a particular thank you to Laura Carstensen, who was a notably effective member and Deputy Chair and a great ambassador for the CC's work. Her last case was the Audit market investigation, which she chaired with wisdom and formidable intelligence. From the senior staff we lost John Pigott, an inquiry director, and Robin Finer, an economics director. Both have gone to senior jobs in sector regulators, and we wish them well. And finally David Saunders, who was the Chief Executive for the last five years, who is taking a very well-earned retirement. His achievement was enormous he successfully steered the CC through very challenging times, calmly and professionally, with unfailing good humour and a real concern for the welfare of staff.

I have hugely enjoyed my three years as CC Chairman, and I look forward to continuing as Panel Chair in the CMA. In the CC's 1998 report the then Chairman, Derek Morris, described its enduring features as independence and integrity, rigour and thoroughness, transparency and a collegiate approach. That is what I found when I arrived, and I believe that they are as strong as ever. Those features will, I am sure, be carried forward into the CMA, and will continue to make a huge contribution to the effectiveness of the UK's competition and consumer regime.



Chief Executive's Report

2013/14 was a busy but successful year for the CC, with a large number of inquiries completed and carried forward, while many staff were increasingly involved in work related to the transition to the CMA. There was one new market investigation reference in the year (pay day lending) as well as six merger references and two regulatory appeals. Five of the ten merger references completed during the year resulted in a finding of an SLC so leading to remedies processes. We also completed two market investigations during the year and worked on two regulatory appeals (one of which, Northern Ireland Electricity, involved a full redetermination of the regulator's decision). In addition, we defended six legal challenges to our decisions, including one case in the Court of Appeal. Details of these challenges and the judgements are set out later in this report.

Value of the competition regime

Competition is a key driver for growth; strong and effective competition policy and enforcement helps ensure a thriving business environment and empowered consumers. Although some of the benefits of our work were hard to quantify and attribute accurately, the CC aimed to quantify where possible the direct financial benefits to consumers that we achieved. The CC and the OFT calculated an aggregate consumer benefit of £ 200 million for 2013/14 for the market investigation regime and £11 million for mergers in the same period (these figures included the work done by both the OFT and the CC where the CC claimed benefit).¹ In making these estimates, we recognised that our approach was partial in its scope

and subject to considerable uncertainties in its application. But it is clear that these figures, which are likely to be underestimates, substantially exceed the costs of the competition regime.

Workload

For most of the year, we were working on four (and briefly, five) market investigations, six or more merger inquiries and one or two regulatory appeals, as well as working on remedies, legal challenges, reviews of past remedies and transition to the CMA. The level of work, particularly in the first half of the year, was even higher than last year and was probably the busiest that the CC had ever been. Towards the end of the year the flow of references decreased, which allowed more capacity for transition work.

Effectiveness and governance

The CC's original budget for 2013/14 was £18 million; this was then revised at the mid-year to £22.1 million. The final out-turn for the year was £23.2 million.

The Governance Statement sets out the systems that the CC had in place for corporate governance, information assurance and risk management. During the year the CC IT team retained its ISO 20,000 accreditation and the corporate services team retained and enhanced their customer service excellence accreditation. The team earned an income of about £230,000 from the provision of shared services to our tenants in 2013/14.

Our latest biennial stakeholder survey, conducted in November 2013, confirmed that overall satisfaction with the CC's performance remained

high, with particular praise for our thorough and rigorous analytical work, our independence and objectivity, our transparency and our professionalism. There had been a significant improvement since 2011 in stakeholder satisfaction with our understanding of the commercial context, the accessibility of our decision makers, and our adherence to timetables. The main concerns continued to be the time our inquiries took and the burden they placed on the businesses involved and their advisers.

We did, for the first time, take part in the civil-service-wide staff survey. This provided a headline engagement score, representing people's pride in the organisation, attachment to it and motivation to do their best for it. The CC's engagement score of 67% was significantly better than the top quartile of the civil service organisations who took part in the survey.

Later sections of this report summarise the activities and outcomes of the work streams set out in our business plan. We published new guidance on the handling of airport licence appeals, and on NHS tariff references.

.....
1. (1) These values were in February 2014 prices.
(2) To control for the fluctuation of inquiries referred to the CC from year to year, the reported consumer benefits are a three-year rolling average; for instance, the consumer benefit from the market investigation regime for this year was the average of consumer benefits from market investigations that resulted in an AEC decision between 2011/12 and 2013/14.

Chief Executive's Report (*continued*)

Conclusion

The CC's staff can be proud of the way in which they managed the final year of the organisation's 65 year life. They, together with the CC's members, continued to deliver high-quality, well evidenced and impartial investigations into complex, difficult and important

issues. They retained the respect and trust of the outside world and retained the CC's position as a world-leading competition authority. The staff survey results demonstrated the high degree of attachment staff had to the CC and their strong motivation to deliver excellent results. This is all the more creditable

during a year in which for most of the time staff had been unsure about their future, and many senior staff and those in corporate services had to succeed in applying for jobs in the CMA or possibly face redundancy. I look forward to watching the CMA build on these strong foundations.

Key dates and achievements of the CC

1949 Monopolies & Restrictive Practices (Inquiry & Control) Act 1948	Monopolies and Restrictive Practices Commission (MRPC) established. Charged with investigating industries where a firm or group of firms could restrict competition. If the MRPC found a problem it was up to the relevant Government department to act to protect the public interest.
1955	MRPC published <i>Collective Discrimination</i> , which recommended that many restrictive practices be banned Government created a Registrar of Restrictive Trading Agreements and a Restrictive Practices Court to adjudicate on these agreements
1956	MRPC became the Monopolies Commission (MC) and its jurisdiction was limited to investigating “monopolies”. MC only issued six reports between 1956 and 1965
1965	The MC’s powers were extended to include merger control; mergers subjected to the same investigative process and public interest test as monopolies
1973 Fair Trading Act	The MC became the Monopolies and Mergers Commission (MMC).
1984	Government adopted a policy (the Tebbit doctrine) that merger inquiries should be determined primarily on a competition test.
1987	<i>British Gas</i> report found British Gas monopoly position was against public interest, a year after privatisation
1989	Beer report recommended divestment of half of tied houses owned by breweries over 2000
1994	First of several reports on <i>Ice Cream</i> marketing; CC increasingly taking account of European law and precedent in case decisions
1996	MMC asked to adjudicate in dispute between Ofgas and British Gas over price control; report helped define best practice in calculating price controls
1998 Competition Act	The restrictive practices system was abolished. MMC became the Competition Commission (CC) and with the OFT jointly operated the mergers and monopolies regime
2002 Enterprise Act	The public interest test for the vast majority of merger and market investigations was abolished and replaced by a competition based test. CC empowered to take decisions and implement remedies itself.
2008	Report of <i>Groceries</i> market investigation led to establishment of GSCOP and Groceries Code Adjudicator, safeguarding interest and diversity of suppliers.
2012	Conclusion of <i>BAA Airports</i> market investigation following lengthy litigation; first market investigation resulting in divestitures (of Gatwick, Stansted and Edinburgh airports).
2013 Enterprise & Regulatory Reform Act	CC abolished and replaced by Competition and Markets Authority (CMA)
2014	Aggregates Market Investigation: first market investigation where CC based remedies including divestitures on coordinated effects in market

The Council

The Council was the CC's strategic management board; it was led by the Chairman and consisted of the three Deputy Chairmen, the Chief Executive, and four non-executive Council members. The Council met at least six times a year to consider the plans and strategic direction of the CC and to develop policy. The Council reviewed the proposed annual budget for the CC and monitored its financial performance. The Council was also responsible for ensuring that there was a proper framework for the corporate governance of the CC and it reviewed the CC's performance, monitored its high-level risks and determined best practice across inquiry groups.

Additionally the Council had a statutory duty to publish general advice and information about the consideration by the CC of merger inquiries and market investigations and in relation to any matter connected with the exercise of its functions, including publishing a statement of policy on penalties for non-provision of information.

ANNUAL REPORT 2013/14: COUNCIL MEMBERS

Roger Witcomb was appointed CC Chairman in May 2011 having been a CC member since 2009. Roger is a trustee of the microfinance charity Opportunity International. He was a non-executive director of Anglian Water from 2002 to 2010 and Finance Director of National Power from 1996 to 2000, having previously been at BP and Cambridge University, where he taught economics. His most recent jobs were Chair of Governors of the University of Winchester and non-executive director of Infracore (a developer of infrastructure projects in developing countries). Recent cases include Verizon/Vodafone Appeal, the Poole/Bournemouth hospitals Merger Inquiry and the market investigation into privately funded healthcare services.



Professor Martin Cave OBE was appointed Deputy Chairman in January 2012, having formerly been a member from 1996 to 2002. He is an economist specialising in competition issues and the regulation of network industries. He was BP Centennial Professor at the London School of Economics in 2010/11, and Professor at Warwick Business School from 2001 to 2010. He is now Visiting Professor at Imperial College Business School. He has undertaken several independent reviews for the UK Government, and has also advised governments and regulators on competition and regulation in a number of sectors. He was awarded an OBE for public service in 2009. Recent or current cases include aggregates, cement and ready-mix concrete market investigation, the Ericsson/Creative merger and the Northern Ireland Electricity price determination.



Simon Polito was appointed Deputy Chairman in January 2012, having formerly been a City Solicitor with international law firm Hogan Lovells. He has over 30 years' experience as a specialist in UK and EU competition law and has practised both in London and Brussels. He was a partner with Lovells for 26 years and Head of the firm's EU and Competition law practice from 2001 to 2004. He is a former Chairman of the Joint Working Party of the Bars and Law Societies of the United Kingdom on Competition Law. Recent cases include the Breedon/Aggregates and Imerys/Goonvean merger inquiries. He is currently Chairman of the Payday Lending market investigation.



Professor Alasdair Smith was appointed Deputy Chairman in January 2012. He has been a Professor of Economics at the University of Sussex since 1981 and was Vice-Chancellor of the University from 1998 to 2007. He is an international economist and has written extensively on the effects of the single European market and EU enlargement on competition. Until March 2013, he was Chair of the Armed Forces Pay Review Body and a member of the Senior Salaries Review Body. He is a member of the Determinations Panel of the Pensions Regulator. Recent or current cases include the private motor insurance market investigation, Optimax/Ultrales and Tradebe/Sita merger inquiries.

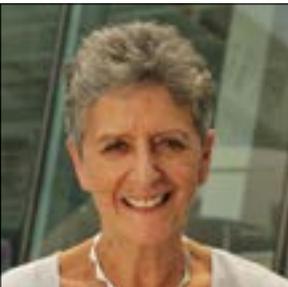




Penny Boys CB was appointed to the Council of the CC in December 2012. She was the first Deputy Director for Electricity Regulation. She was also Secretary to the Monopolies and Mergers Commission during its transition to the CC, and Deputy Director General (later Executive Director) at the Office of Fair Trading. She was a non-executive director of Ofwat from 2006-2014 and chaired the Audit Committee from 2011. She was an independent member and then Deputy Chairman of the Horserace Betting Levy Board from 2006 to 2011.



Grey Denham was appointed non-executive Council member in 2009 and was also Chair of the CC's remuneration committee. He is a qualified barrister and has spent most of his career in global manufacturing businesses. He specialised in international mergers and acquisitions and in governance and compliance. Before retirement from GKN plc in 2009, after 28 years, he was its Company Secretary and Group Director Legal and Compliance. He is currently a director and trustee of the charity Young Enterprise. He is a former Senior Independent Director of Charter International plc, a former Chairman of the Primary Markets Group of the London Stock Exchange and of the CBI in the West Midlands and Oxfordshire.



Dame Janet Paraskeva was appointed to the Council of the CC in December 2012. She was formerly Chair of the Child Maintenance and Enforcement Commission and First Civil Service Commissioner. Other previous roles include Chief Executive of the Law Society and non-executive member of the Consumer Council for Water and the Serious Organised Crime Agency. She was Chair of the Child Exploitation and Online Protection Centre. Currently she chairs the development organisation Plan UK and was Chair of the Olympic Lottery Distributor until the end of March 2013. She was also a member of the Detainee Inquiry into complicity in torture post 9/11 and now serves as a Governor of Ryde Academy on the Isle of Wight.



Lesley Watkins was appointed non-executive Council member in 2009. She is Chair of the CC Audit Committee. She was formerly a Managing Director in the corporate finance divisions of UBS and then Deutsche Bank focusing on mergers and acquisitions and financing and regulatory matters. She is a chartered accountant (having qualified with Price Waterhouse, now PwC) and since 2002 has been Finance Director and Company Secretary of Calculus Capital Limited (a private equity firm). She is also a non-executive director and Chair of the Audit Risk and Compliance Committee of Panmure Gordon & Co plc, an investment bank and stockbroker and a non executive director of Metropolitan Safe Custody Limited and its subsidiaries.



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.

Casework in the review period April 2013 to March 2014

Overall workload

In 2013/14, the CC progressed five market investigations. One was referred during the year and two reports were published. The CC progressed 12 merger inquiries with 2 carrying over to 2014/15.

The CC was engaged in one Communications Act appeal and one Appeal against the decision of the Utility Regulator in Northern Ireland, and reviewed three sets of undertakings arising from past decisions.

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

	Date of referral	Report Status at 31 March
Market investigations		
Audit market	21/10/2011	Published
Private healthcare	04/04/2012	Ongoing
Aggregates market	18/01/2012	Published
Private motor insurance	28/09/2012	Ongoing
Payday lending	27/06/2013	Ongoing
Merger inquiries		
Ryanair Holdings plc/Aer Lingus Group plc	15/06/2012	Published
Global Radio Holding Limited/GMG Radio Holdings Limited	11/10/2012	Published
Groupe Eurotunnel S.A/SeaFrance S.A	29/10/2012	Published
Royal Bournemouth Hospital NHS FT/Poole Hospital NHS FT	08/01/2013	Published
AG Barr plc/Britvic plc	13/02/2013	Published
AEG/Wembley	22/03/2013	Published
Imerys/Goonvean	03/04/2013	Published
Cineworld/CityScreen	30/04/2013	Published
Optimax/Ultralase	29/07/2013	Published
Breedon Aggregates/Aggregates Industries	24/09/2013	Ongoing
Tradebe Environmental/Sita UK	29/10/2013	Published
Ericsson/Creative Broadcasting Services	01/10/2013	Published
Groupe Eurotunnel S.A/SeaFrance S.A Remittal	04/12/2013	Ongoing
Regulatory appeals		
Verizon Vodafone	22/07/2013	Published
Northern Ireland Electricity price determination	30/04/2013	Ongoing
Reviews of undertakings and orders		
FirstGroup's 2004 Scotrail undertakings	29/11/2012	Published
BBC Magazines undertakings	01/02/2013	Published
IMS Health undertakings	12/08/2013	Published

INQUIRY REPORTS

Market investigation into the supply of statutory audits

Competition in the market for the supply of audit services to FTSE 350 companies was restricted due to factors which inhibited companies from switching auditors and by the incentives that auditors have to focus on satisfying management rather than shareholder needs.

Outcome

The CC proposed remedies that it believed would open up the UK audit market to greater competition and ensure that audits would better serve the needs of shareholders.

These included measures to improve the bargaining power of companies and encourage rivalry between audit firms; measures to enhance the influence of the Audit Committee; and measures to promote audit quality and shareholder engagement in the audit process.

INQUIRY GROUP

Laura Carstensen (Chairperson of the Group)

Carolyn Dobson

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Richard Farrant

Professor Robin Mason

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The Market

Following renewed scrutiny of the audit profession in the wake of the banking and financial crisis of 2007 to 2009, the OFT referred the supply of statutory audit services to large companies in the UK to the CC for investigation and report. For the purposes of the reference, large companies meant companies listed from time to time on the FTSE 100 and 250 indices (collectively 'the FTSE 350'). The great majority of such audits were prepared by one of four firms of auditors: Deloitte LLP, EY LLP, KPMG LLP and Pricewaterhouse Coopers LLP (collectively, the Big 4 firms), although a small number of FTSE 350 companies are audited by other firms such as BDO LLP and Grant Thornton UK LLP.

Findings

The CC found that the relevant market was a single market for the supply of audit services to FTSE 350 companies, and not separate markets for the provision of audit services to segments of this group. It found that competition was restricted in that market due to factors which inhibited companies from switching auditors and by the incentives that auditors have to focus on satisfying management rather than shareholder needs. In particular, the CC identified the following features which prevented, restricted or distorted competition:

- (a) barriers to switching:
 - (i) company management face significant opportunity costs in the management time involved in the selection and education of a new auditor;
 - (ii) companies and firms invest in a relationship of mutual trust and confidence from which neither will lightly walk away as this means the loss of the benefits of continuity stemming from the relationship. In particular, the loss of the expertise and knowledge of the incumbent arising from a loss of continuity may lead to reduced efficiency in the conduct of the audit and increased risk in the technical quality of the audit in the early years of the incoming firm; and
 - (iii) companies face difficulties in judging audit quality in advance due to the nature of audit which means that companies cannot calculate accurately the benefits that tender processes and switching would bring;
- (b) Mid Tier audit firms face barriers to entry, expansion and selection in the FTSE 350 statutory audit market. These barriers included experience and reputational hurdles

which, together with the infrequency and unpredictability of opportunities to tender, affected their incentives to make the necessary investments to overcome such hurdles;

- (c) the ability of executive management to influence external auditors in how they conduct and report their audit; and
- (d) the information asymmetry between shareholders and audit firms, so that shareholders have little information regarding the investigation carried out by the auditor.

As a result of the adverse effect on competition, the CC believed that FTSE 350 companies were offered higher prices, lower quality (including less sceptical audits) and less innovation and differentiation of offering than would be the case in a well-functioning market.

Remedies

The CC proposed a number of measures that it believed would open up the UK audit market to greater competition and ensure that audits would better serve the needs of shareholders.

The package of remedies included measures to improve the bargaining power of companies and encourage rivalry between audit firms; measures to enhance the influence of the Audit Committee; and measures to promote audit quality and shareholder engagement in the audit process. The main measures the CC proposed were as follows:

- (a) FTSE 350 companies must put their statutory audit engagement out to tender at least every ten years.
- (b) The FRC's Audit Quality Review (AQR) team should review every audit engagement in the FTSE 350 on average every five years. The Audit Committee should report to shareholders on the findings of any AQR report concluded on the company's audit engagement during the reporting period.
- (c) A prohibition of 'Big-4-only' clauses in loan agreements (which are clauses that specify that only a Big 4 firm may be used by a borrower for its audit).
- (d) There must be a shareholders' vote at the AGM on whether Audit Committee Reports in company annual reports are satisfactory.

- (e) Measures to strengthen the accountability of the external auditor to the Audit Committee and reduce the influence of management.

- (f) The FRC should amend its articles of association to include an object to have due regard to competition.

The CC found that no action was necessary to compel companies to switch audit firms after a given tenure, or to force companies to have joint audits, or to impose further limits on the provision of non-audit services by auditors to their audit clients.

Implementation of the remedies

An administrative time for the implementation of the remedies was published in October 2013. The CC made two Orders concerning (i) auditor provisions in loan agreements and (ii) the mandatory use of competitive tender processes and audit committee responsibilities. An informal consultation on each order was undertaken in December 2013.

Developments at EU level

During the CC's investigation, the EU undertook a separate review of the audit market. The CC and EU were in regular contact during their investigations, informing each other of their respective processes and providing updates on progress and developments. Following publication of the CC's final report, on 17 December the Council of the EU announced that member states had approved a text regarding proposals for the draft Audit Regulation and Directive of the European Parliament and of the Council on EU audit market reform.

In the light of these developments, and to ensure the CC followed the principles of better regulation, which included ensuring that its Orders did not contradict or duplicate EU regulation, the CC extended its administrative timetable for the implementation of remedies to enable it to consider fully the implications of the EU proposals on its own Orders. The CC understands that the proposals are likely to be finalised and come into force in April or May 2014, at which time it will commence a further consultation on its own orders.

Full details about how the CC reached its findings and the final report can be found on the CC website:

<http://www.competition-commission.org.uk/our-work/directory-of-all-inquiries/statutory-audit-services>

Market investigation into aggregates, cement and ready-mix concrete markets

A combination of structural and conduct features in the GB cement markets led to coordination between the three largest producers of cement, thereby restricting competition and resulting in higher prices for all cement users. In addition further competition problems resulted from there only being only one domestic producer of ground granulated blast furnace slag (GGBS - a partial substitute for cement) in GB, which has long term exclusive rights to use the output of the only domestic producer of granulated blast furnace slag (GBS), which is the main raw material input into GGBS. The CC did not identify any features restricting competition in GB for the supply of aggregates or ready-mix concrete (RMX).

Outcome

The CC concluded that the lack of competition in the cement and GGBS markets resulted in increased prices for customers. In order to remedy the competition issues identified the CC proposed a package of remedies to promote greater competition which included the divestment of a major cement plant by Lafarge Tarmac, measures aimed at reducing transparency in the GB cement market and the divestment of a GGBS plant by Hanson.

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17-1-14

The Market

The investigation concerned the aggregates, cement and RMX markets in GB. These materials are used in the UK construction sector. Aggregates are the granular base materials used in the construction of roads, buildings and other infrastructure. Cement is the 'glue' that binds together the components of building materials. Among other uses, cement is mixed with aggregates and water to produce RMX. RMX is concrete that is produced in freshly mixed and unhardened state. RMX is manufactured from cement, aggregates, water and other additives (including GGBS) as necessary. GGBS is produced by grinding GBS, the material produced by water-cooling slag emerging from iron blast furnaces.

There are five major producers of heavy building materials in GB: Aggregates Industries, Cemex, Hanson, Hope Construction Materials (HCM) and Lafarge Tarmac (the Majors). HCM is a new firm established in January 2013 after it bought cement, aggregates and RMX assets which the CC had required Anglo American (the owner of Tarmac) and Lafarge to divest following an inquiry into the Anglo American/Lafarge joint venture in 2012. All of the Majors produce cement in GB

except Aggregates Industries, and there are no other cement producers in GB. All the Majors except HCM have significant aggregates operations in GB and all of them have significant RMX operations in GB. In addition to the five majors there are also a number of medium-tier independents who produce aggregates and/or RMX in GB, or import cement.

There is considerable vertical integration in the industry which has increased over recent years. Significant proportions of the cement and aggregates produced by each Major are used in their own downstream operations. However, each Major's down-stream operations are not completely self-supplied: cement and aggregates are also purchased externally.

Findings

The CC investigated the different ways in which competition could be harmed in relation to each of these markets. The CC considered whether there might be unilateral market power and whether individual suppliers had market power as a result of market concentration and barriers to entry. The CC also considered the possibility of coordination between suppliers whereby, as a result of repeated interactions with

rivals, suppliers avoid or limit competition between them. The CC examined whether vertical integration might result in exclusionary behaviour towards rivals, and explored aspects of policy and regulation which may affect the way competition works in these markets.

The CC found that evidence on market outcomes relating to profitability, margins and market shares indicated that competition in the GB cement markets was not working effectively. Internal documentary evidence obtained from the Majors showed that the three largest cement producers (Cemex, Hanson and Lafarge Tarmac) have refrained from competing vigorously with each other, and have instead focussed on maintaining market stability and their respective market shares. Overall, the CC found that, in the GB cement markets, a combination of structural features (such as high market concentration, transparency, high barriers to entry, product homogeneity and vertical integration) and conduct features (such as the strategic focus on market share stability, 'tit-for-tat' behaviour, price announcement behaviour, use of cross-sales and targeting of importers) gave rise to an adverse effect on competition (AEC) in those markets through coordination. The CC did not consider that recent market developments such as the entry of HCM would be likely to undermine such coordination.

The CC also looked at the sole production in GB by Lafarge Tarmac and Hanson of GBS and GGBS respectively. It examined evidence, including on profitability, prices and margins, which led it to the conclusion that Hanson had the ability to exercise significant market power in the supply of GGBS in GB. The CC therefore found that further features of the GB cement markets combined to give rise to an AEC in the market for the supply of GGBS in GB as well as an additional AEC (over and above the AEC resulting from coordination) in the markets for the supply of cement in GB, resulting in higher prices for both GGBS and for cement than might otherwise be the case.

The CC did not identify any features leading to an AEC in the aggregates or RMX markets.

Conclusions

In the final report, the CC concluded that the likely effect of the features identified is higher prices of cement in GB than would otherwise be the case for all GB cement users, whether this cement is ultimately sold through independent RMX and concrete producers, independent merchants or through the downstream businesses of the five largest heavy building materials producers in GB. In addition, the features giving rise to the AEC in the GGBS market are likely to result in higher prices for GGBS than would otherwise be the case. The CC estimated that higher prices resulting from this lack of competition cost cement customers at least £30 million a year, which was likely to be an underestimate, and a further £15–£20 million a year for GGBS customers. Without the CC's intervention, this situation would be likely to persist.

Remedies

The CC considered a range of possible remedies and decided to introduce a comprehensive package of remedies comprising three main elements: the divestiture of a cement plant by Lafarge Tarmac, two measures aimed at reducing transparency in the GB cement market (restrictions in the publication of GB cement market data and the prohibition of the practice of issuing generic price announcement letters) and measures to promote competition in the GGBS supply chain, including the divestiture of an active GGBS plant by Hanson. These remedies will have a substantial beneficial impact on competition in these markets.

The implementation of the remedies package is ongoing with regard to the required divestments and transparency reduction measures.

An appeal was brought by Hanson and Lafarge Tarmac following the publication of the provisional decision of the CC on remedies, challenging the procedural fairness of the investigation. The CAT stayed the matter until after the final report of the CC was published. Thereafter Hanson withdrew its application, but Lafarge Tarmac is pursuing an appeal against decisions in the final report on a variety of grounds. Hope Construction Materials Limited (Hope) is challenging one aspect of the CC's findings on remedies.

Full details about how the CC reached its findings and the final report can be found on the CC website:

<http://www.competition-commission.org.uk/our-work/directory-of-all-inquiries/aggregates-cement-ready-mix-concrete>

Merger inquiry into the completed acquisition by Ryanair Holdings plc of a minority shareholding in Aer Lingus Group plc

The merger involved the two largest providers of air passenger services between Great Britain and the Republic of Ireland.

The CC found that Ryanair's acquisition of a minority shareholding in Aer Lingus had led or may be expected to lead to a substantial lessening of competition in the markets for air passenger services between Great Britain and the Republic of Ireland.

Outcome

Ryanair should be required to reduce its shareholding in Aer Lingus to 5 per cent.

The matter is currently under appeal.

INQUIRY GROUP

Simon Polito (Chairman)
Roger Davis
Professor Michael Waterson
Carolán Dobson

PUBLISHED

28-8-13

The market

The inquiry concerned the completed acquisition by Ryanair Holding plc (Ryanair) of a 29.82 per cent stake in Aer Lingus Group plc (Aer Lingus).

Ryanair and Aer Lingus both supply air passenger services on routes between Great Britain and the Republic of Ireland. Ryanair and Aer Lingus together carried around 82 per cent of all passengers travelling between Great Britain and the Republic of Ireland in 2012.

The CC focused its analysis on the ability of Ryanair to influence the commercial policy and strategy of Aer Lingus and its incentives to exercise any such influence to weaken Aer Lingus as a competitor in the relevant markets.

Findings

The CC found that Ryanair's 29.82 per cent shareholding gave it the ability to exercise material influence over Aer Lingus's commercial policy and strategy. The CC reached this view having regard, in particular, to Ryanair's ability to block special resolutions and the sale of Heathrow slots under the Articles of Association. The CC concluded that Ryanair would have the incentive to use its influence to weaken Aer Lingus as a

competitor, which would not exist for a shareholder not in competition with Aer Lingus, and it would expect Ryanair to act on this incentive.

The CC concluded that Ryanair and Aer Lingus impose a strong competitive constraint on each other on overlap routes between Great Britain and the Republic of Ireland and were also likely to impose a competitive constraint through the threat of entry on routes between Great Britain and the Republic of Ireland on which the two airlines were not currently both active.

The CC considered a number of potential mechanisms through which Ryanair could exercise its material influence to weaken Aer Lingus as a competitor. The CC reached its overall conclusion considering all these mechanisms in the round but formed the view that one mechanism of particular significance that would affect Aer Lingus's commercial policy and strategy was the potential for Ryanair's minority shareholding to impede Aer Lingus from being acquired by, merging with, entering into a joint venture with or acquiring another airline. The CC found that absent Ryanair's shareholding, it was likely that Aer Lingus would have been involved in the period since 2006, or would be involved in the foreseeable future, in the

trend of consolidation observed across the airline industry. By impeding or preventing Aer Lingus from combining with other airlines, Aer Lingus's ability to increase the scale of its operations and reduce its unit costs would be limited and this would be likely to have reduced or would reduce the competitive constraint Aer Lingus could impose on Ryanair on flight routes between Great Britain and the Republic of Ireland.

Conclusion

The CC found that Ryanair's acquisition of a 29.82 per cent shareholding in Aer Lingus had led or may be expected to lead to a substantial lessening of competition in the markets for air passenger services between Great Britain and the Republic of Ireland.

Remedies

The CC considered various behavioural remedies put forward by Ryanair but found these would not be effective. The CC also found there were no relevant customer benefits. The CC concluded that the only effective remedy would be the reduction of Ryanair's shareholding in Aer Lingus down to 5 per cent.

Appeal

On 23 September 2013, Ryanair filed a notice of application with the CAT, challenging the CC's decision to require it to sell down its shareholding to 5 per cent on the basis of six grounds. The hearing took place on 12 – 14 February. The CAT rejected the appeal on 7 March 2014.

Ryanair has been granted permission to appeal to the Court of Appeal on two grounds.

Full details about how the CC reached its findings and the final report can be found on the CC website:

<http://www.competition-commission.org.uk/our-work/directory-of-all-inquiries/ryanair-aer-lingus>

Merger inquiry into the completed acquisition by Global Radio Holdings Limited of GMG Radio Holdings Limited

The acquisition was of GMG Radio Holdings Limited (GMG Radio) which was re-branded to Real and Smooth Limited (RSL) immediately following the merger.

The CC found that there was an insufficient number of alternative suppliers available to local advertisers seeking to purchase airtime for sponsorship and promotion or on a campaign-by-campaign basis in seven areas in parts of England, Scotland and Wales.

Outcome

The merger was partially blocked and divestments were required.

INQUIRY GROUP

Simon Polito (Chairman)
Ian Jones
Alexander Johnston
Stephen Oram

PUBLISHED

21-5-13

The market

The inquiry concerned the completed acquisition on 24 June 2012 by Global Radio Holdings Limited (Global) of Real and Smooth Limited (RSL and formerly known as GMG Radio) a commercial radio network operating in England, Scotland and Wales previously owned by the Guardian Media Group plc (GMG).

At the time of the merger Global was the largest commercial radio operator in the UK and a privately-owned company with a number of commercial radio interests including one national station, Classic FM; and local and regional stations broadcasting under the brands Heart, Capital, Choice, LBC, Xfm and Gold. RSL operated commercial radio stations nationally and regionally.

On 11 October 2012, the Office of Fair Trading (OFT) referred the completed acquisition to the Competition Commission (CC) for investigation and report. The reference was made under section 22(1) of the Enterprise Act 2002 (the Act).

Findings

The CC examined the effect of the merger on national advertisers and those buying advertising through large agencies which had contracts with broadcasters (contracted airtime). It also considered the effect on mainly local advertisers who usually purchased airtime directly from local stations on

a campaign-by-campaign basis (non-contracted airtime). Both contracted and non-contracted airtime might include sponsorship of radio programmes, or segments therein as well as promotion of products and services, referred to as sponsorship and promotion (S&P).

Most contracted airtime and national S&P was sold for RSL by Global as part of a National Sales Agency Agreement which pre-dated the merger. The CC found that the merger did not present a significant lessening of competition (SLC) for contracted airtime in any area of the UK.

Prior to the merger non-contracted airtime and S&P was sold directly by Global and RSL independently of each other. The CC found that in some areas where Global and RSL stations overlapped and competed, and where there was a lack of a good alternative or alternatives, advertisers buying non-contracted airtime could face higher costs for both airtime and S&P.

Conclusion

The CC concluded that the merger had resulted in, or may be expected to result in an SLC for non-contracted airtime, including non-contracted S&P, in the East Midlands; Cardiff and South Wales; North Wales; Greater Manchester; the North East, the South and West of Yorkshire; and Central Scotland.

Remedies

Following consideration of options to remedy the SLC, the CC further concluded that divestment of some stations in these areas was required. The decision of the CC was ultimately upheld by the Competition Appeal Tribunal on appeal.

Full details about how the CC reached its findings and the final report can be found on the CC website:

<http://www.competition-commission.org.uk/our-work/directory-of-all-inquiries/global-radio-gmg-merger-inquiry>

Merger inquiry into a completed acquisition by Groupe Eurotunnel S.A. of certain assets of former SeaFrance S.A.

This merger inquiry concerned the completed acquisition by Groupe Eurotunnel S.A. (GET) of certain assets of the former ferry operator SeaFrance S.A. (SeaFrance).

Outcome

The merger may be expected to result in an SLC. GET was required to cease ferry operations at the port of Dover. The CC's decision was appealed and quashed by the CAT, with one aspect of the decision remitted for further consideration.

INQUIRY GROUP

Alasdair Smith (Chairman)
Robin Aaronson
Ivar Grey
Malcolm Nicholson

PUBLISHED

6-6-13

The market

The inquiry concerned a completed acquisition by GET of assets of the former ferry operator SeaFrance, which was in liquidation. GET acquired three ex-SeaFrance vessels through a process overseen by the Commercial Court of Paris, most significantly the vessels *Rodin* and *Berlioz*. Using these vessels, GET launched a ferry operation, MyFerryLink, which offered passenger and freight services between Dover and Calais. The ships were crewed by a workers' co-operative, the Société Coopérative de Production Sea France S.A. (SCOP) consisting, in large proportion, of ex-SeaFrance employees.

The CC concluded that the relevant markets in which to consider the competitive effects of the merger were those for the supply of transport services to (i) passengers and (ii) freight customers on the short sea (meaning the shortest transport routes between the UK and the continent). These markets included both ferry services and GET rail shuttle services through the channel tunnel.

The CC considered how the supply of services in these two markets may have evolved in the short to medium term and, in particular, whether one of the current ferry operators could be expected to withdraw from the Dover–Calais route and/or the short sea.

Findings

The CC found that there was excess capacity on the short sea routes and concluded that, as an effect of the merger, rival ferry operator DFDS/LD would be likely to cease operating services between Dover and Calais in the short term.

The CC found that, were DFDS/LD to exit the Dover–Calais route, it was likely that GET's share of passengers and freight transported on the short sea would increase substantially from its pre-merger market share of over 40 per cent in each market. The CC found that the merger was likely to result in an increase in prices for passenger and freight customers on short sea, relative to the counterfactual.

The CC found that future entry or expansion in the markets by ferry operators other than by MyFerryLink or existing operator P&O was unlikely and that the extent of buyer power in the markets was not likely to be sufficient to protect the majority of customers from the adverse effects that the CC concluded were likely to arise from the merger.

Conclusion

The CC concluded that the merger may be expected to result in an SLC in the markets for the supply of transport services to passengers and freight customers on the short sea.

Remedies

The CC considered a range of possible remedies, concluding that the prohibition of GET from operating ferry services at the port of Dover was the most appropriate structural remedy. The CC found that remedies requiring the divestiture of the acquired vessels would either be unlikely to be attractive to a purchaser or would, as a result of the terms of the acquisition, require the approval of the Commercial Court of Paris. This created uncertainty as to the effectiveness of a divestment remedy. The CC did not identify any behavioural remedies that it considered would be effective.

Appeals

GET and SCOP each filed a Notice of Application with the CAT, challenging the decision of the CC. Following a hearing in September 2013, GET's appeal was dismissed by the CAT. However, in response to one of the SCOP grounds of appeal, the CAT quashed the CC's decision and remitted to the CC the question of whether it had jurisdiction in this case. The CMA reported on the remitted matter in April 2014.

Full details about how the CC reached its findings and the final report can be found on the CC website:

<http://www.competition-commission.org.uk/our-work/directory-of-all-inquiries/eurotunnel-seafrance>

Merger inquiry into the anticipated merger of The Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust and Poole Hospital NHS Foundation Trust

The merger involved two NHS foundation trust hospitals.

Outcome

The CC found the merger would be likely to result in a loss of competition and patient choice. It did not find the merger would be likely to have relevant customer benefits. The merger was prohibited.

INQUIRY GROUP

Roger Witcomb (Chairman)
John Cubbin
Peter Jones
Tony Morris

PUBLISHED

17-10-13

The market

The inquiry concerned the merger of The Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust (RBCH) and Poole Hospital NHS Foundation Trust (PH), which both provide a range of healthcare services in the Dorset area.

This was the first merger between two NHS foundation trusts to be referred to the CC. It followed the enactment of the Health and Social Care Act 2012 (HSCA 2012), which confirmed the OFT and CC's roles in assessing the competition aspects of mergers involving foundation trusts. Foundation trusts are independent organisations which have a significant degree of autonomy in managing their affairs.

The CC considered the likely effects of the proposed merger in relation to: elective services, non-elective services; maternity services; community services; competition for the market in elective, non-elective, specialised and community services; and private services.

Findings

The CC found that the parties overlapped to a significant degree, that patients (and/or GPs) would be likely to exercise choice in relation to elective services and that quality mattered to patients and GPs and appeared to be a factor driving choice. It found that the parties do have incentives to compete and are each other's closest competitors. It found evidence of competition between

the parties and found that they would be likely to compete more in the foreseeable future absent the merger.

The CC expected that the loss of actual competition between the parties would result in less pressure to maintain and improve the quality of the services that they offer to patients.

The CC also considered whether the merger would be likely to lead to reduced competition in relation to services which commissioners may change or reconfigure. Based on information provided to us by the commissioners, the CC did not find that the merger would be likely to give rise to SLCs in relation to competition for the market for elective, non-elective, community or specialised services.

Conclusions

The CC found that the proposed merger may be expected to result in an SLC in the wider Dorset area in the supply of 19 elective inpatient services; 34 outpatient services; one non-elective inpatient service (maternity); and one private service: cardiology. The affected specialties together accounted for approximately 21 to 30 per cent of each of RBCH's and PH's total clinical income.

Remedies

The CC considered whether the merger would be likely to give rise to relevant customer benefits (RCBs) and whether any action should be taken to remedy, mitigate or prevent the SLC or any adverse effect arising from it.

The parties proposed that the merger would result in RCBs in five clinical areas: maternity; cardiology; haematology; A&E and emergency surgery. In addition the CC considered various other financial savings.

The CC looked in detail at these proposals, taking full account of advice from Monitor to the Office of Fair Trading (OFT) and the views of local commissioners. It concluded that there had been insufficient analysis of the reconfiguration of A&E, in particular of the balance between the benefit of concentrating expertise on one site and the harm to patients who lived near the minor unit; that there was significant doubt that the maternity hospital would be built, given the pressure on NHS finances over the next few years; that there was similar doubt

about the reconfiguration of haematology, given that it was seen as less important by the hospitals and the commissioner; and that it was not clear that the hospitals had to merge to bring about the proposed changes in cardiology.

The CC did not find that any of the benefits put forward by the parties met the statutory test for RCBs.

The CC found that the proposed behavioural remedy was not likely to be an effective remedy to the SLC and did not consider that it could be modified to make it effective.

The CC found the only effective remedy was prohibition of the transaction.

Full details about how the CC reached its findings and the final report can be found on the CC website:

<http://www.competition-commission.org.uk/our-work/directory-of-all-inquiries/royal-bournemouth-and-christchurch-poole>

Merger inquiry into the anticipated merger between AG Barr p.l.c. (AG Barr) and Britvic plc (Britvic)

The merger involved two parties who manufactured and supplied carbonated soft drinks and still drinks. IRN-BRU is the largest brand within AG Barr and Britvic produces a number of major soft drinks brands and has a long standing bottling agreement with PepsiCo in Great Britain and Ireland.

Outcome

The merger was cleared as no SLC was identified. Following the clearance it was announced by AG Barr and Britvic that the merger would not go ahead.

INQUIRY GROUP

Alastair Smith (Chairman)
Ian Jones
Alexander Johnston
Katherine Holmes

PUBLISHED

9-7-13

The market

The inquiry concerned the anticipated merger of AG Barr and Britvic. Soft drink producers, such as AG Barr and Britvic sell to intermediaries (retailers such as supermarkets), these customers buy products for onward sale to consumers. In the year to December 2012 retail sales of soft drinks amounted to £11.2 billion and this was split between the off-trade (where soft drinks are purchased from a retail outlet) and on-trade (where soft drinks are consumed on premises).

Both companies manufacture and supply soft drinks, have a portfolio of proprietary carbonated and still brands and produce other brands under licence. The supply of carbonated soft drinks in Great Britain was considered an appropriate relevant market to assess the competitive effects of the merger, as well as reviewing the competitive market in Scotland where AG Barr has a particularly strong presence.

Findings

The CC considered three possible competitive effects of the merger. The first was that prices might rise if the merger brings together different brands that are close substitutes for consumers (unilateral horizontal effects). The second was that the merger may impact competition by increasing the parties' bargaining power to make customers stock more of their range at the expense of small producers (portfolio effects). The third was that the merger may make coordination more likely post-

merger or make coordination more stable, if there was evidence of pre-existing coordination (coordinated effects).

In the evaluation of unilateral horizontal effects the CC considered the evidence on the existing level of competition between the parties and the incentive to increase prices post-merger. In particular, the CC considered whether there was any relationship between the diversion from IRN-BRU to Britvic brands in Great Britain. The Great Britain wide data did not show any statistically significant relationship. In addition, when the data was pooled and considered for Scotland only the data showed no statistically significant results, when data from individual stores in Scotland was assessed the results appeared less reliable than when combined. The CC concluded that there would not be significant harm to competition as a result of unilateral horizontal effects.

The CC evaluated possible portfolio effects by examining whether a larger company was able to attain preferential distribution of its products. Although there was some evidence of larger companies gaining advantage there was also evidence of smaller companies achieving high levels of distribution for their products. The CC therefore concluded that there would not be significant harm to competition as a result of portfolio effects.

The CC assessed whether the merger might give rise to coordinated effects between Coca Cola Enterprises and

the merged company. The CC did not find any evidence that coordination existed or would exist if the merger went ahead, noting that the merged company would still be smaller than CCE in the off-trade carbonated soft drink market. We concluded that the merger would not result in significant harm as a result of coordinated effects.

Conclusion

The CC found that the merger had not resulted in an SLC in any market in the UK.

Full details about how the CC reached its findings and the final report can be found on the CC website:
<http://www.competition-commission.org.uk/our-work/directory-of-all-inquiries/ag-barr-britvic>

Merger inquiry into the completed acquisition by AEG Facilities (UK) Ltd of the contract to manage Wembley Arena

The merger involved the only two indoor live entertainment arenas in London. The CC looked at the market for venue hire in London, the provision of ancillary services such as sponsorship and catering, and ticket selling.

The CC found that the choice of venue was largely decided by the artist or their representatives, by considering the key factors of capacity and availability, as well as reputation and brand. Price was not a key factor in determining venue choice. The CC found that London was a distinct live entertainment market from the rest of the UK and that indoor and outdoor venues were not generally substitutable.

Outcome

The merger was cleared.

INQUIRY GROUP

Martin Cave (Chairman)
Roger Finbow
Anthony Stern

PUBLISHED

2-9-13

The market

The Inquiry concerned the completed acquisition by AEG Facilities (UK) Ltd of the contract to manage Wembley Arena.

AEG is a leading provider of live entertainment services around the world. It manages a number of entertainment venues in London including The O2 Arena. AEG is also vertically integrated as a promoter and a ticketing service as well as offering other events-related ancillary services.

For the provision of venue space to promoters, the CC concluded that the market was the supply of indoor live entertainment venues in London with various configurations and segmented by capacity. We concluded that the merger would result in an overlap in the provision of venue space both for venues with capacity under 5,000 and in the 5,000 to 12,500 capacity grouping.

We found that there were many different options for sponsors to achieve their target number of impressions from a given demographic and that the market is not limited to sponsorship of live entertainment venues. Therefore, we concluded that while the venues overlap in a market for sponsorship—which is likely to be at least UK wide in this case—the limited nature

of these overlaps meant that we did not need to consider the market for sponsorship in our analysis of competitive effects.

We found that the geographic market for the provision of ancillary service space is narrow since its customers in turn derive the majority of their revenues from the immediate vicinity. We concluded that any market for ancillaries is local to each venue and that the venues do not overlap in any of these markets. We considered the interaction between these three markets. We concluded that these markets are related.

Findings

The CC found that in the absence of the merger, Wembley would continue to be run by Live Nation under its existing contract as a live entertainment venue for at least three years. During this period we considered it likely that Quintain, the venue owners, would have looked at alternative uses for the venue, but given the uncertainty surrounding this issue we considered that any change of use would be unlikely in the timescale envisaged in the counterfactual.

We examined whether AEG would or would not have an incentive to increase prices to promoters following the merger.

We considered how a promoter might choose a venue for an event and how venue hire fees are determined. We found that while a promoter may have some influence over the venue decision, the final choice of venue usually lies with the act and their agent. The choice of venue is based on a number of factors, the main ones being: capacity, availability, appearance, brand, and reputation.

We found that bookings are governed by ‘pencilling’, a transparent and industry-wide standardised diary management process that ensures that a ‘first come, first served’ approach is consistently applied. The venue hire price is not set at the time of initial booking, although a rate card price is known. Final venue prices are set at the point of booking confirmation. This happens after overall tour costs and revenues have already been agreed between the promoter and the act and their agent. We found little evidence of switching between venues, or threats to switch, as a part of the price negotiation process.

We found that promoters have buyer power. This stems from the multiple interactions that they have with venue operators both in the UK, for different acts, and also globally.

We also found that there are constraints from other revenue sources. Venues generate revenues from other sources

including sponsorship and provision of ancillary service space. These other revenue sources are particularly important to AEG’s business model. A very small loss of events or footfall would cause a reduction in sponsorship and ancillary revenues which would be sufficient to make a price increase unprofitable. We concluded that this imposes a constraint on AEG’s activities in the market for the supply of live indoor entertainment space in London.

We also considered whether AEG would or would not have an incentive to reduce the non-price aspects of the venues. We found that non-price characteristics may be difficult to change and that changing these factors for the worse would have a negative impact on revenue sources other than venue hire income. We therefore concluded that a post-merger reduction in the non-price aspects of competition is unlikely.

Conclusion

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

Full details about how the CC reached its findings and the final report can be found on the CC website:

<http://www.competition-commission.org.uk/our-work/directory-of-all-inquiries/aeg-wembley-arena>

Merger inquiry into the completed acquisition by Imerys Minerals Limited of the kaolin business of Goonvean Limited

The merger involved two significant producers of kaolin. Both parties overlapped in the production and supply of kaolin from sites in Cornwall for various product markets. Together, they supplied over 90 per cent of the kaolin used by UK customers in the performance-mineral applications market.

Outcome

The merger was cleared subject to the introduction of a price control in the market where an SLC was found.

INQUIRY GROUP

Simon Polito (Chairman)
Thomas Hoehn
Jill May
Graham Sharp

PUBLISHED

10-10-13

The market

The inquiry concerned the completed acquisition by Imerys Minerals Limited (Imerys) of the kaolin business of Goonvean Limited (Goonvean). Imerys was a subsidiary of Imerys SA, the world's largest producer of kaolin. Goonvean was the largest independently-owned kaolin producer in Europe.

Both parties overlapped to varying degrees in the supply of kaolin for use in paper-filler; paper-coating; sanitaryware; tableware; performance-mineral; life-science; boiler additives; reinforced fibreglass; and refractory applications in the UK.

The parties also overlapped in the market for secondary aggregates feedstock.

Findings

In those markets where the parties had the potential to overlap, the CC did not find an SLC as there was little evidence that Goonvean had either the incentive or capacity to supply what were generally specialist grades that required a high level of processing. The exception to this was in relation to the life-sciences market which required a highly specialised grade of kaolin that was only available from a pit operated by Goonvean and Imerys could not have supplied an alternative.

The CC considered that the merged entity was unlikely to enter the market for secondary aggregates nor, were it to do so, that it would have the incentive to foreclose third parties from

processing its feedstock. It therefore concluded that the merger was not likely to result in an SLC in any secondary aggregates market.

Of the four UK markets to which both parties supplied pre-merger, the CC did not find an SLC in the supply of kaolin for use in paper filler, tableware or sanitaryware. Apart from the sanitaryware market, the merger represented a reduction from two to one competitor. However, in each market, the CC found little evidence of significant pre-merger competition.

Goonvean had not imposed a significant competitive constraint on Imerys pre-merger for various reasons, such as, an inability to supply because of logistics issues and/or to supply the range of minerals which customers required. In some cases, there were other constraints on Imerys such as buyer power derived from UK customers' purchase of large volumes of other minerals from Imerys. In clearing the tableware market, the CC took account of evidence that showed Goonvean would have sought to withdraw from this market because of depleting reserves of a key kaolin grade.

In relation to the supply of kaolin for use in performance-mineral applications, the CC found that the merged entity would not be significantly constrained by competitors from outside the UK and expansion by the only other UK supplier would not prevent an SLC.

Conclusion

The CC found that the merger had not resulted in an SLC in the market for the supply of kaolin for paper-filler, sanitaryware or tableware in the UK. However, the CC did find an SLC in the market for the supply of kaolin for performance minerals in the UK.

Remedies

The CC ordered the introduction of a five-year price control for the parties' existing performance-mineral customers to protect them from prices rises or product withdrawal.

Full details about how the CC reached its findings and the final report can be found on the CC website:

<http://www.competition-commission.org.uk/our-work/directory-of-all-inquiries/imerys-goonvean>

Merger inquiry into the completed acquisition by Cineworld Group plc of City Screen Limited

This completed merger involved one of the UK's largest cinema operators, Cineworld, acquiring City Screen, which operated 21 cinemas mainly under the Picturehouse brand. They both provided cinema exhibition services in a number of local areas.

Outcome

The merged entity would result in an SLC in three local areas and it was required to divest one cinema in each of the three areas.

INQUIRY GROUP

Alasdair Smith (Chairman)
Rosalind Hedley-Miller
Jon Stern
John Wotton

PUBLISHED

8-10-13

The market

The inquiry concerned the merged entity's activities in the following markets; the supply of cinema exhibition services in local areas and the market for cinema programming services in the UK.

Findings

The CC found that in the absence of the transaction, Picturehouse was likely to continue to operate as a stand-alone entity, and did not consider it likely that it would have been sold to another purchaser.

The CC investigated a range of potential competition concerns.

In the market for the supply of cinema exhibition services, the CC considered all local areas where both parties have cinemas and, through a filtering process, identified nine local areas for further investigation. The CC studied the nature of the competitive process in each area and whether any expected loss of competition could be mitigated by the timely entry of a new cinema exhibitor. The CC concluded that the transaction may be expected to result in an SLC in the markets for cinema exhibition services in three local areas: Aberdeen, Bury St Edmunds and Cambridge.

The CC also examined the expansion plans that the parties were pursuing prior to the transaction to establish whether the transaction might result in the loss of potential competition.

After filtering out the areas where there was a sufficiently high number of alternative cinemas, the CC identified two planned Picturehouse cinemas (in Chiswick and Crouch End) which merited further investigation. In both cases, the CC concluded that the transaction was unlikely to result in an SLC.

The CC found that Picturehouse's programming services were advisory and that customers typically made the ultimate programming decisions. The CC also found that although customers value highly the expertise the Picturehouse programming team provides, there are other options and barriers to entry appear to be relatively low. The CC concluded that the transaction was unlikely to lead to an SLC in the provision of programming services to cinema exhibitors in the UK.

Conclusion

The CC concluded that the completed merger may be expected to result in an SLC in the market for cinema exhibition services in three local areas: Aberdeen, Bury St Edmunds and Cambridge.

Remedies

The CC considered a range of structural and behavioural remedies put forward by the parties, other cinema exhibitors and local councils, including various degrees of supervision and price control by local councils. The CC did not consider that any of the behavioural remedies put forward could be

effective as they would not be able to replicate the benefits of competition between cinema exhibitors, would be complex to design and expensive to implement and monitor. The CC concluded that divestiture would be the only effective remedy.

Full details about how the CC reached its findings and the final report can be found on the CC website:
<http://www.competition-commission.org.uk/our-work/directory-of-all-inquiries/cineworld-city-screen>

Merger inquiry into a completed merger between Optimax Clinics Limited and Ultralase Limited

This completed merger involved two providers of refractive eye surgery services in the UK. There was significant overlap in at least six local areas where the parties were either the only two, or two of three, recognised competitors.

Outcome

The CC concluded that the merger would not be likely to give rise to an SLC in any market in the UK because Ultralase was considered to be an exiting firm.

INQUIRY GROUP

Alasdair Smith (Chairman)
Ed Smith
Gavin Robert
John Krumins

PUBLISHED

20-11-13

The market

Refractive eye surgery is used to decrease or eliminate the dependency of a patient on glasses and/or contact lenses. Refractive eye surgery is an expensive discretionary procedure, with demand closely linked to levels of customers' disposable income. Demand for refractive eye surgery is also sensitive to the state of the economic cycle and between 2008 and 2012 had reduced significantly leaving the industry with excess capacity.

The refractive eye surgery market is made up of a) national chains; b) hospital-based providers; and c) independent clinics and small regional chains. The large national chains (Optimax, Ultralase and Optical Express) account for the large majority of the refractive eye surgery market, with Optical Express nearly twice as large as the parties combined. The other competitors in the market appear to be substantially smaller than the parties and Optical Express.

Findings

The CC investigated the counterfactual and assessed whether Ultralase should be considered an exiting firm. This required investigation of;

- (a) whether the firm would have exited (through failure or otherwise);

- (b) whether there would have been an alternative purchaser for the firm or its assets to the acquirer under consideration; and

- (c) what would have happened to the sales of the firm in the event of its exit.

The CC found that Ultralase's cash position had deteriorated and that by the end 2012 or early 2013 its funding requirement would have been beyond the limit of its bank facilities. The CC concluded that, absent additional funding, Ultralase would have failed financially.

The CC considered whether there were other buyers whose acquisition of Ultralase would have produced a better competitive outcome than the acquisition by Optimax. A number of other bidders had expressed initial interest, however the CC concluded that Optimax was the only credible bidder and that the other bidders would have been highly unlikely to purchase Ultralase.

The CC then assessed what would have happened to the sales of Ultralase in the absence of the acquisition. The CC found that before the merger the parties competed mainly with each other and with Optical Express. The CC found that after the merger Optical Express would have gained most of the Ultralase sales, although in some local areas other suppliers may have captured some sales. Had Ultralase exited the market (as per the counterfactual scenario), the large majority of its

sales would have gone to Optimax and Optical Express. In a few areas alternative suppliers might have captured more of Ultralase's sales but overall they would have been unlikely to capture a significantly higher proportion of the Ultralase sales in the counterfactual compared with the post-merger situation. The CC concluded that since the distribution of sales in the counterfactual situation would not have differed significantly from that in the post-merger situation it did not expect the acquisition to result in a less competitive outcome.

Conclusion

The CC concluded that Ultralase should be considered an exiting firm and as such found that the merger did not, and was not expected to, result in a substantial lessening of competition within any market or markets in the UK for goods or services.

Full details about how the CC reached its findings and the final report can be found on the CC website:

<http://www.competition-commission.org.uk/our-work/directory-of-all-inquiries/optimax-ultralase>

Merger inquiry into the completed joint venture between Tradebe Environmental Services Limited and Sita UK Limited

The merger involved two providers of healthcare risk waste (HRW) services in various parts of the UK. These included the collection, treatment and disposal of such waste. Both parties overlapped in the provision of HRW services to customers in the areas around Birmingham and Gloucester, extending part way to Bristol.

Outcome

The merger was cleared.

INQUIRY GROUP

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Tony Morris
Bob Spedding

PUBLISHED

28-3-14

The market

The inquiry concerned the completed joint venture between Tradebe Environmental Services Limited (Tradebe) and Sita UK Limited (Sita) – Tradebe Healthcare (Holdings) Limited. Tradebe was a subsidiary of Grupo Tradebe Medioambiente SL. The Tradebe Group provided waste management services primarily in Spain, the USA and the UK. Tradebe started its UK HRW business in 2010 with the acquisition of Britcare Limited. Sita was the UK waste management business of GDF Suez SA, a multinational company headquartered in France that provided power, natural gas and energy services. Sita operated its HRW business in the UK through a wholly-owned subsidiary, Sita Healthcare Limited.

Tradebe operated three ‘alternative technology’ (AT) treatment plants in Avonmouth, Doncaster and Yardley Green, as well as a ‘high-temperature’ treatment (HT) plant in Fawley, Hampshire. Tradebe’s operational capacity for the treatment of HRW was up to 20,000 tonnes. Sita operated six treatment plants in Enfield, Redditch, Rochester, Salford and Wrexham with a combined operational capacity of up to 45,000 tonnes.

Findings

Based on the catchment areas of treatment plants, the location of the parties’ customers and an analysis of tender bids, the CC observed that the effect of the joint venture would be strongest in areas around Birmingham and Gloucester where the parties overlapped. Prior to the joint venture, the parties

did not compete strongly with each other and SRCL usually competed more strongly against both parties in these areas than the parties did against each other. Other competitors did not compete sufficiently with the joint venture parties in the overlap areas and SRCL was expected to continue to provide the most effective competition to the joint venture.

The CC also found that efficiencies arising from the joint venture were likely to benefit customers in the majority of cases in the form of lower prices by the joint venture undercutting SRCL or in a number of cases by SRCL having to undercut the joint venture in order to retain customers. These rivalry-enhancing efficiencies were expected to have a significantly affect the joint venture’s ability to bid competitively in future tenders and were also expected to reduce average prices in the area around Birmingham by 5 per cent.

Although the joint venture had reduced the number of effective competitors in the relevant geographic market from three to two, the CC found that the strength of SRCL as a competitor, the lack of effective competition between the parties prior to the joint venture and the realistic prospect of significant merger-specific efficiencies being realised in the form of lower prices to customers meant that the joint venture was not likely to give rise to an SLC.

Conclusion

The CC found that the joint venture was not expected to result in an SLC in any market in the UK and cleared the merger.

Full details about how the CC reached its findings and the final report can be found on the CC website:

<http://www.competition-commission.org.uk/our-work/directory-of-all-inquiries/tradebe-sita>

Merger inquiry into the anticipated acquisition by Telefonaktiebolaget LM Ericsson (Ericsson) of Creative Broadcast Services Holdings (2) Limited (Creative)

This anticipated merger involved one of the world's largest telecommunications companies, Ericsson, acquiring Red Bee Media (via its parent Creative Broadcast Services). Ericsson and RBM represented two of the largest outsourced linear playout providers in the UK.

Outcome

The proposed merger was not expected to give rise to an SLC in the market for the supply of outsourced linear playout services for channels broadcast in the UK.

INQUIRY GROUP

Martin Cave (Chairman)
Jill May
Malcolm Nicholson
Andrew Popham

PUBLISHED

27-3-14

The market

The CC concluded the relevant geographic market was the UK as the majority of UK broadcasters told us that they would only consider buying playout services from a provider with UK premises. The CC concluded that whilst customers had playout requirements of differing complexity, and this may have impacted which providers were able to fulfil those requirements, these differences in requirements were not sufficiently distinct to constitute different markets.

Findings

The CC concluded that, absent the anticipated acquisition, both Ericsson and RBM would have continued to compete in the market, although RBM would most likely do so under an alternative owner.

The CC concluded that contracts were generally awarded for three to 12 years via a tender process though some customers opted to extend contracts without going out to tender.

The CC concluded that the level of complexity of a customer's requirements was the main factor that affected the ability of providers to supply certain customers. The CC also concluded that there two distinct challenges faced by providers: the operational challenge faced by the playout provider's staff in providing the service day to day, and the design and implementation of a system that would meet the requirements

of a broadcaster, and subsequent engineering support for that system.

The CC concluded the BBC and ITV's operational outsourced playout requirements were more complex than those of other broadcasters, but not by an order of magnitude, and that when a broadcaster switches to an alternative provider, these dedicated operational staff could also transfer to that alternative provider. The CC concluded that the greater challenge for rival suppliers would be in gaining and demonstrating an understanding of the complex requirements of certain broadcasters and developing a proposed system that would meet those requirements.

The CC concluded that incumbency advantages affected the competitive process to some extent but that even for the most complex customers this incumbency advantage was not an insurmountable impediment to switching and did not exclude a role for competition.

The CC concluded that the nature of the bidding process provided an opportunity for customers to mitigate, to some extent, the impact that the loss of a competitor might have on this rivalry. The extent to which this might occur would depend on whether other competitors are motivated to compete for a contract, whether they can reach the same level as the lost

bidder, and how much effect the customer could have on the quality of these other bids (as perceived by the incumbent).

The CC concluded there was a low likelihood of a significant reduction in competitive rivalry for the ITV and Channel 4 contracts. It found that although a significant reduction in rivalry for the BBC contract was possible, the nature of the competitive process and the potential for other competitors to exert the same level of competitive constraint as Ericsson made it likely that there would be little adverse effect on the BBC. The CC also found that broadcasters with less complex requirements were unlikely to be significantly affected as they will continue to have a sufficient choice of providers.

Conclusion

The CC concluded by a three to one majority that the anticipated merger was not expected to result in an SLC in the market for outsourced linear playout services for channels broadcast in the UK. One member of the group (Martin Cave) dissented from this conclusion, most notably with respect to the consequences of the merger for the then forthcoming contest for the BBC playout contract.

Full details about how the CC reached its findings and the final report can be found on the CC website:

<http://www.competition-commission.org.uk/our-work/directory-of-all-inquiries/ericsson-creative>

Telecommunications Price Control Appeal of Verizon UK Ltd and Vodafone Ltd v Office of Communications (OFCOM)

On 28 March 2013 the Office of Communications (Ofcom) published a Statement entitled *Business Connectivity Market Review—Review of retail leased lines, wholesale symmetric broadband origination and wholesale trunk segments* (the BCMR), which (among other things) set out the charge controls for business connectivity services until 31 March 2016. Verizon UK Limited (Verizon) and Vodafone Limited (Vodafone), are major suppliers of leased lines services in the UK and purchase significant volumes of wholesale leased lines from BT. They filed a joint appeal on 30 May 2013 against Ofcom’s price control decision for Traditional Interface (TI) leased lines. The CAT referred the appeal to the CC to determine if Ofcom had set the price control incorrectly. BT was granted permission to intervene.

Outcome

The CC determined that Ofcom had not erred in setting the price control for the service in question. The CAT therefore dismissed the appeal.

INQUIRY GROUP

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Jayne Scott
John Stern
John Wotton

PUBLISHED

20-12-13

The market and the decision under appeal

The BCMR was a review of the markets for the provision of ‘leased lines’, which provide dedicated transmission capacity between fixed locations. Ofcom distinguished between services that use TI technologies and those that use Alternative Interface (AI) technologies. TI is the older technology; AI is newer and more efficient. TI volumes are falling rapidly while AI volumes are increasing. Much of the reason for the TI volume fall is due to customers switching to AI, but customers are also switching to other newer technologies.

BT remains the largest wholesale supplier of leased lines in the UK. Ofcom estimates that BT has an 82 per cent volume market share of all wholesale circuits and that the majority of other suppliers of leased lines remain reliant on BT’s network for providing services to customers.

In the BCMR, Ofcom found that BT had Significant Market Power (SMP) in several TI and AI markets and imposed charge controls on BT in these markets. These controls were calculated after considering the costs allocated to these products and the appropriate return for BT over the period of the charge control.

The Appeal

The appellants believed that Ofcom had allocated too much cost to TI services, and hence the price for TI services was set too high. The CC was asked to determine whether the price control on TI services had been set at an inappropriate level because Ofcom had erred in law with its cost allocation decisions, had erred in fact, or whether the decision was inconsistent with Ofcom’s regulatory objectives. If the CC determined there had been an error, it was asked to recommend how it should be corrected. The CC’s role was confined to determining the questions referred to it by the CAT for the reasons set out in the notice of appeal.

Determination

The referred questions concerned the allocation of common costs to TI services. In their notice of appeal, the appellants set out what they considered to be the correct approach to determining the appropriate allocation of common costs. The errors alleged by the appellants were all based on the view that there was a better (“correct”) measure of costs and that Ofcom had allocated “Excess Common Costs” to TI.

The CC did not find any compelling evidence of a divergence between the level at which the charge control was actually set,

and what should be understood as the “correct” level. There were some inconsistencies in Ofcom’s reasoning in terms of how it justified its approach to reallocating costs, but the appellants had not shown that those inconsistencies resulting in Ofcom identifying an inappropriate allocation of costs to TI services when setting the TI price control. As we did not find allocation of costs to TI services was inappropriate we did not find there to have been any “Excess Common Costs”.

Conclusion

Given that the three Grounds of Appeal were premised on there being Excess Common Costs which had been allocated incorrectly, we determined that Ofcom had not erred for any of the reasons given in the grounds of appeal and the price control had not been set at an inappropriate level. Given that determination, no guidance to correct an error was necessary.

Full details about how the CC reached its findings and the final report can be found on the CC website:

<http://www.competition-commission.org.uk/our-work/directory-of-all-inquiries/verizon-vodafone-appeal>

Reviews of undertakings and orders

Summary of reviews

The OFT had 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 considered whether, by reason of any change of circumstances, the set of undertakings or an order should be varied or terminated. If so, the OFT referred the matter to the CC for consideration. Responsibility for deciding on variation or termination of undertakings or orders lay with the CC in nearly all cases.

Between 1 April 2013 and 31 March 2014, the CC completed three reviews of undertakings and orders; FirstGroup's 2004 ScotRail undertakings, the BBC's 1992 undertakings and IMS Health's 1999 undertakings. As at 31 March 2014, there were no ongoing reviews of undertakings and orders.

FirstGroup's 2004 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. The Undertakings have been subsequently varied in 2007, 2011 and 2012.

In September 2011, FirstGroup submitted an application to the OFT for the Undertakings to be further varied to allow it to make changes to certain routes in the Glasgow operating area (the Relevant Controlled Routes) and to take into account a number of operational difficulties which it said the Undertakings imposed in their current form.

In November 2012, the OFT advised the CC that there had been a change of circumstances in that the Relevant Controlled Routes were less profitable than they had been at the time of the 2004 report and that this was due to a reduction in passenger numbers and revenues and to the fact that these routes were contributing less to fixed costs.

Following its review, the CC found that some of the Relevant Controlled Routes had persistently failed to generate sufficient revenue to cover relevant costs and had experienced a

significant deterioration in financial performance. There was no reasonable prospect of these services delivering a positive contribution to fixed costs and the deterioration had occurred despite reasonable attempts by FirstGroup to rectify the situation within the restrictions of the Undertakings.

The CC varied the Undertakings to allow FirstGroup to withdraw one loss-making service and modify a further two services. The CC refused permission to modify two other services as the financial performance on these routes did not amount to a change of circumstances. Two other variations were made to the operation of the Undertakings to address the operational difficulties raised by FirstGroup.

British Broadcasting Corporation's (BBC's) 1992 undertakings

In 1992 the Monopolies and Mergers Commission (MMC) found that the British Broadcasting Corporation's (BBC's) publicity of Good Food, Radio Times and Gardeners' World magazines by trails and in-programme mentions were actions which operated and may be expected to operate against the public interest by distorting competition in the food and cookery, listings and gardening sectors of the consumer magazines market, respectively. Undertakings were accepted by the Secretary of State for Trade and Industry from the BBC in order to prohibit the promotion of magazines published by the BBC or any associate of it on BBC1 or BBC2 unless they were still trails at the end of a programme with a single speaking voice-over.

The BBC did not request a review of the undertakings, but the OFT carried out a review pursuant to its duty in the Enterprise Act 2002. In February 2013, the OFT advised the CC of a change of circumstances due to the acquisition by Exponent Private Equity LLP (Exponent) of the whole of the consumer magazine business of BBC Worldwide Ltd (BBCW) except for the rights to publish a limited number of specific consumer magazine titles that would be published on behalf of BBCW.

Following its review, the CC found that the Undertakings were not required for the 46 titles sold by the BBC to Exponent, the BBC no longer had the incentive to promote them because it no longer received any sales-related income. However, the CC found that, as the undertakings did not apply to magazines that were not published by the BBC or any associate of it, there was no need to vary the undertakings to take into account those

magazine titles that had been sold by the BBC to a third party or for which the BBC no longer received any sales-related income.

There were 16 magazine titles for which the BBC still received a sales-related income. The CC found that for these titles the BBC retained both the incentive and ability to favour their promotion, the BBC retained the incentive to promote them because it receives a sales-related income, and it retained the ability to distort competition through their promotion because of the size of its share of television viewing and the popularity of its programmes in comparison with relevant programmes on other channels.

The CC retained the undertakings in their present form without any variation.

IMS Health's 1999 undertakings

In February 1999, the MMC found that the acquisition by IMS Health Incorporated (IMS) of Pharmaceutical Marketing Services Incorporated (PMSI) may be expected to operate against the public interest by reducing competition in the supply of specialised pharmaceutical data services.

Undertakings were accepted by the Secretary of State for Trade and Industry requiring IMS to divest the former PMSI wholesale data business, Source Dispenser; to license its prescription data on reasonable terms to other parties; to price its specialised data services according to a transparent price list and discounts; not to bundle or tie its products with other IMS goods or services; and not to enter into or enforce any exclusive contract with pharmacies. Source Dispenser was subsequently divested in October 2000 and the licensing prescription data remedy expired in February 2005. Three requirements therefore remained in the undertakings.

In November 2012, IMS submitted that it should be released from the undertakings because the UK Government had started publishing free of charge on a monthly basis GP prescription data (the NHS prescription data) for England. It said that this had facilitated new entry which meant the undertakings were no longer necessary.

In August 2013, the OFT advised the CC that the CC should consider whether it was appropriate to release IMS from the undertakings.

Following its review, the CC found that there had been a change of circumstances since the 1999 report as a result of the release of NHS prescription data. However, because of the limited frequency and coverage of data across some of the UK, the effects of this change of circumstances were not as yet as significant as they might be. The new entrants that had emerged had to date been providing services that were largely complementary to IMS and only a few customers had switched to self-supplying data services using the NHS prescription data instead of using IMS specialised pharmaceutical data. The CC also found that there continued to be insufficient countervailing power and that barriers to entry remained.

The CC considered the relevance of each of the remaining requirements in the undertakings. It found that IMS had both the incentive and ability to bundle and tie and that over the longer term this would increase barriers to entry; the price transparency remedy worked in combination with the prohibition on bundling and tying and did not remove IMS's ability to discount; and the non-exclusivity remedy gave new entrants the option to obtain data from pharmacies.

The CC retained the undertakings in their present form without any variation.

The Competition Commission's post-inquiry activities

For those investigations requiring remedies, the publication of the final report did 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 did this by accepting undertakings from parties, by making an Order or by making recommendations to others. In some cases, the CC's work continued after these actions. For example, where the CC had required a structural remedy, it would oversee the divestiture process to ensure that this remedy was successfully implemented. The CC may have also considered representations from parties regarding possible changes of circumstances which may affect remedies.

A summary of the CCs post-inquiry activities for the financial year 2013/14 is shown in the table below.

CC activity after publication of final report 2013/14

Investigation	Type of investigation	Type of remedy	Date of publication of final report	Method of implementation
Statutory audit services	Market		15 October 2013	
Aggregates	Market		14 January 2014	Undertakings / Order
Anglo American/ Lafarge	Merger	Divestiture	1 May 2012	Undertakings
Akzo Nobel/Metlac	Merger	Divestiture	21 December 2012	Undertakings
Rank/Gala	Merger	Divestiture	19 February 2013	Undertakings
Ryanair/Aer Lingus	Merger	Divestiture	28 August 2013	Order
Global/GMG	Merger	Divestiture	21 May 2013	Undertakings
Eurotunnel/Sea France	Merger	Cessation of operations	6 June 2013	Undertakings or Order
Royal Bournemouth and Christchurch Hospital/Poole Hospital	Merger	Prohibition	17 October 2013	Undertakings
Imerys/Goonvean	Merger	Behavioural remedy	10 October 2013	Undertakings
Cineworld/ Picturehouse	Merger	Divestiture	8 October 2013	Undertakings

Date on which remedy fully implemented (all outcomes coming into force)	Implementation activity in 2013/14	Status as at March 2014
Ongoing	Informal consultation took place on a draft order. In view of EU agreement on measures affecting the audit market, the CC has deferred implementation to ensure that the order is consistent with the EU measures. The CC has been actively consulting with BIS and the FRC to ensure consistency.	Ongoing
Ongoing	Acceptance of interim undertakings from Lafarge Tarmac and Hanson. Drafting and informal consultation on text of final undertakings and Orders. Preparing defence against Lafarge Tarmac's appeal to the CAT.	Ongoing
17 February 2014	Overseeing divestitures following acceptance of final undertakings and the divestiture of Hope cement plant and other operations to Mittal Investments in FY 2012/13. Implementation activity in this year included the oversight of the completion of the divestiture of Tarmac's 50 per cent stake in MQP and the divestiture of five RMX sites.	Complete
Ongoing	Defending CC decision against Akzo's appeal to CAT and further appeal now extant to Court of Appeal.	Ongoing
12 May 2013	Agreement of undertakings and overseeing divestiture.	Complete
Ongoing	Defending CC decision against Ryanair's appeal to the CAT and Court of Appeal. Consulting on a draft Order.	Ongoing
31 March 2013	Defending Global's appeal to the CAT. Agreeing undertakings and overseeing divestiture, which completed on 31 March 2013.	Complete
Ongoing	Defending CC decision against Eurotunnel's appeal to the CAT and subsequently the Court of Appeal.	Ongoing
19 December 2013	Accepted final undertakings from RBCH and PH on 19 December 2013.	Complete
19 December 2013	Agreement of undertakings.	Complete
Ongoing	Overseeing divestitures following acceptance of final undertakings on 31 January 2014.	Ongoing

Legal challenges to the Competition Commission's decisions

During 2013-14 the CC was involved in litigation during two market investigations and following a number of inquiries. It was successful in resisting most of the challenges brought against it, but in one case its processes were found to be procedurally unfair and had to be revised, and in another the CAT remitted to the CC for reconsideration a question related to the jurisdiction of the CC.

Market investigations

1. The private health care market investigation

In *BMI Healthcare Ltd (BMI) v CC (No 1)*, BMI and a number of other parties appealed to the CAT in relation to the procedural adequacy of the arrangements for disclosure of confidential information through a data room established following the publication of provisional findings to allow parties to understand the CC's evidence and respond to provisional findings.

The CAT accepted that the information in the data room was extremely sensitive, and commented positively on the recently published guidance of the CC on the disclosure of confidential information. However, it upheld the complaint that the particular arrangements made by the CC in this case were procedurally unfair and unduly constrained parties' ability to respond. As a result, the CC disclosed the information again in a further data room.

A second appeal was brought in relation to the adequacy of the resulting arrangements, which was subsequently withdrawn.

2. The aggregates market investigation

An appeal was brought by two parties Hanson and Lafarge Tarmac following the publication of the provisional decision of the CC on remedies, challenging the procedural fairness of the investigation. The CAT stayed the matter until after the final report of the CC was published. Thereafter Hanson withdrew its application, but Lafarge is pursuing an appeal against decisions in the final report on a variety of grounds (its earlier application remains stayed). CM is challenging one aspect of the CC's findings on remedies. The litigation is being continued against the CMA.

Merger inquiries

3. Akzo Nobel N.V. v CC

The CC succeeded in the CAT and then (on 14 April 2014) in the Court of Appeal in dismissing a challenge by Akzo Nobel N.V. (*AkzoNobel*) against certain decisions in the CC's final report of December 2012 as regards the anticipated acquisition by AkzoNobel of Metlac Holding S.r.l. (the transaction).

In the report, the CC found that the transaction would lead to an SLC in the market for the supply of metal packaging coatings for beer and beverage cans in the UK. The CC concluded that the only effective remedy for the SLC would be the prohibition of the transaction.

AkzoNobel appealed to the CAT on three grounds. Two grounds related to the SLC finding and were dismissed by the CAT. The third ground, dismissed by both the CAT and the Court of Appeal, was that the CC erred in concluding that AkzoNobel, a company registered in the Netherlands, carries on business in the UK and could, therefore, be the subject of a prohibition order. This decision has clarified the circumstances in which a foreign company could have been the subject of an enforcement order by the CC (and in future the CMA) in merger and market investigation cases.

4. Global Radio Holdings Limited v CC

The CAT dismissed appeals by Global that challenged the CC's decisions as regards the acquisition by Global of GMG (RSL) on two grounds.

The first related to whether the CC had properly interpreted the meaning of substantial in the key substantive test in the Enterprise Act 2002: was there an SLC? Global argued that the CC should have asked itself whether Global's purchase of RSL had resulted, or may be expected to result, in a large, considerable or weighty lessening of competition. The CAT rejected such an interpretation, holding that substantial does not have to be construed as large, considerable or weighty, but in the context of the particular facts, and that a finding that

there was a SLC could be made, regardless of whether that lessening was large in absolute terms.

The second ground which related to the lawfulness of the divestment remedy that the CC had ordered in one local area, was also dismissed.

5. Groupe Eurotunnel S.A. (Eurotunnel) v CC AND The Société Coopérative de Production Sea France S.A. (the SCOP) v CC

Two joined appeals were brought in the CAT against the decisions by the CC in its report as regards the completed acquisition by Eurotunnel of certain assets of the former SeaFrance (the decision).

The decision was challenged on numerous grounds concerning (a) whether a relevant merger situation had been created, (b) the natural justice of the process followed by the CC, and (c) the proportionality of the remedies it had decided upon.

With respect to (a) although the CAT rejected some of the grounds of challenge, it upheld the appeal as regards the question of whether a relevant merger situation existed. It considered that the CC had erred in deciding that Eurotunnel had acquired an enterprise. The CAT doubted whether the facts, as found by the CC, supported a conclusion that Eurotunnel had acquired something more than bare assets and remitted to the CC the question of whether Eurotunnel/SCOP had acquired an enterprise. To that extent, and for that reason alone, the CAT quashed the decision. The CMA is now considering this remitted question. The CAT rejected the appeals relating to (b) and (c) above.

6. Ryanair Holdings plc v CC

Ryanair had challenged various decisions contained in the final report of the CC's dated 28 August 2013 concerning Ryanair's acquisition of a minority shareholding in Aer Lingus. In its final report, the CC concluded that the minority shareholding gave Ryanair material influence over Aer Lingus and resulted in an SLC and decided to impose a final order requiring Ryanair to divest itself of the majority of its holding in Aer Lingus, by reducing its stake to no more than 5 per cent, such disposal to be through a sales process under a divestiture trustee.

In the CAT Ryanair challenged the lawfulness of the final report on six grounds, all of which were rejected by the CAT. The CAT has given permission for Ryanair to appeal against the decision of the CAT to the Court of Appeal on two grounds:

- (a) Whether the CC's decision to require divestiture is contrary to the EU law duty of sincere cooperation, as it would undermine any subsequent ruling by the European Commission (if Ryanair's ongoing appeal to the General Court from the European Commission's decision of 27

February 2013 is successful) that Ryanair is entitled to acquire the whole of Aer Lingus. The CAT concluded that the CC's decision does not do so and rejected Ryanair's submission that it is an EU objective that an acquisition, once cleared by the European Commission under the EUMR, does in fact take place.

- (b) Whether it was procedurally unfair to keep secret from Ryanair material allegations and evidence which the CC relied upon in reaching its decision, in particular the identity of certain airlines that had provided evidence to the CC during its investigation. The CAT concluded that, both globally and in relation to the specific matters relied on by Ryanair, Ryanair was informed of the gist of the case which it was required to answer, and was in a position to make worthwhile representations in answer to the case it had to meet.

The litigation is being continued against the CMA.

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WORK STREAMS

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Work stream Objectives

For 2013/14 the CC had seven key objectives, which were intended to improve the overall quality and coordination of its work. Each objective was led by a senior management team (SMT) leader, who was responsible for ensuring that they were achieved in consultation with the SMT, and with internal CC committees where appropriate. Many of these objectives were cross-cutting, however, by making one individual accountable the CC ensured that each objective and its associated risks were owned and managed.

The CC's objectives were:

- Objective 1** | to make the right decisions in market investigations, merger inquiries and regulatory appeals;
Owned by the Chief Economist
- Objective 2** | to take the right remedial action and implement effective and proportionate remedies;
Owned by the Director of Remedies
- Objective 3** | to conduct fair and transparent processes;
Owned by the Chief Legal Adviser
- Objective 4** | to ensure no undue burden on business or taxpayers;
Owned by the Senior Director, Inquiries
- Objective 5(a)** | to ensure positive engagement with CC stakeholders and external representation of the CC;
Owned by the Director of Policy
- Objective 5(b)** | to influence the development of international competition policy and implementation and learn from international best practice;
Owned by the Head of International
- Objective 6** | to support the organisation by ensuring that efficient and effective services and support mechanisms are in place; and
Owned by the Director of Corporate Services
- Objective 7** | to ensure a smooth and successful transition to the new CMA.
Owned by the Director of Policy

Objective 1

Make the right decisions in market investigations, merger inquiries and regulatory appeals

Led by Daniel Gordon, Chief Economist

The aim of Objective 1 was to ensure that the CC achieved its objective of making the right decision on mergers, market investigations, and regulatory appeals. Achieving this rested on ensuring that the evidence and analysis on which the decision on competitive harm or regulatory detriment was based was appropriate, reflecting the reasoning of the members and was supported by clear and robust evidence.

The final version of the CC's Market Investigations guidance was published in April 2013. The publication of the guidance represented the end of a major effort by the CC to provide clarity on the approaches taken in Market Investigations. The final version, which takes account of views received in the course of consultation, had been applied to those Market Investigations carried out during the last year. The CMA has adopted this guidance and it will therefore be applied to Market Investigations in the successor body.

This year, the CC introduced a series of seminars in advanced economic techniques. The seminars, which were internally organised for CC and OFT economists, were each on a different theme and drew together the CC's Academic Panellists with CC case economists so that academic advances could be coupled with case studies, and used to draw lessons that could be used in the future. This year we also continued to run regular knowledge-sharing seminars, where case economists presented work in progress to the wider team for discussion. Lastly, CC economists also continued to attend the OFT's academic seminar series.

The extent of case work this year was considerable and partly as a result we did not undertake any evaluation work during this period. The Analysis Group however did approve progressing an evaluation study based looking at merger assessment in changing markets. The terms of reference for this work have been developed and there is the option for the CMA to take this forward in the coming year.

Objective 2

Take the right remedial action and implement effective and proportionate remedies

Led by David Roberts, Chief Financial and Business Adviser and Head of Remedies

The aim of Objective 2 was to ensure that the CC made effective and proportionate decisions on remedies and that remedies were implemented on an appropriate and timely basis so as to address the competitive harm identified by the CC's analysis.

During the year a significant amount of staff time was applied in developing remedies aspects of guidance to be adopted by the CMA to incorporate the implications of new legislation. The main areas of application were in merger guidance (CMA 2), particularly in the areas of interim measures and undertakings in lieu of reference to second phase inquiries, and guidance on variation and termination of undertakings and orders (CMA 11).

Learning points on remedies were captured during the year on completion of all relevant cases. The CC also continued its rolling programme of evaluating remedies on past cases by completing appraisals on two merger cases. Learning points from recent experience and emerging issues on remedies were shared through training seminars with CC members and staff. During the year, CC staff also presented and discussed remedies issues and practice with other national competition authorities.

During the year, the CC devised and consulted on major divestiture packages for the Audit, Aggregates and Private Health market investigations. The CC also completed the supervision of divestiture remedies on the Anglo/Lafarge, Rank/Gala and Global/GMG merger cases and accepted prohibition undertakings arising from the Royal Bournemouth/ Poole Hospital inquiry. Undertakings implementing behavioural remedies were accepted in the Imerys/Goonvean case. Remedies were also devised and consulted on in the Ryanair/ Aer Lingus and Eurotunnel/Sea-France merger inquiries. However, implementation in these cases was held pending the resolution of appeal proceedings.

The CC completed the review of undertakings regarding BBC magazines, First Group's acquisition of the ScotRail franchise and IMS Health's acquisition of Pharmaceutical Marketing Services (see pages 45 to 47).

Objective 3

Conduct fair and transparent processes

Led by Roland Green, Chief Legal Adviser

The aim of objective 3 was for the CC to conduct its inquiries according to fair and transparent processes, giving clear and comprehensible reasons for its decisions.

The CC kept its policies and practices under review during the year, in particular inquiries through regular reviews during and at the end of each inquiry, and through discussions of its policies in standing groups. An example of new policy guidance following an inquiry was that following the Poole/Bournemouth Foundation Trusts merger inquiry, the CC contributed to the preparation of draft guidance on NHS merger reviews which the CMA published in April 2014.

The CC consulted on and published new rules and guidance on the application of its new appeals powers in relation to NHS tariff methodology and airport licensing.

The CC, working jointly with the OFT and the CMA, reviewed its existing rules and guidance to see whether it remained relevant to the activities of the CMA, as a result of which the CMA consulted on and either adopted the existing

guidance, or published new rules and guidance concerning how the CMA would perform the functions that transferred to it from the CC which took into account the legislative changes made by the Enterprise and Regulatory Reform Act 2013. The new material included CMA Rules of Procedure for Merger, Market and Special Reference Groups (CMA 17), new consolidated procedural guidance relating to mergers (CMA 2), supplemental guidance on the CMA's approach to market studies and investigations and the CMA's approach to the variation and termination of merger, monopoly and market undertakings and orders (CMA 11), and a statement of the CMA's policy and approach relating to transparency and disclosure (CMA 6).

Finally, the CC contributed to the initial series of CMA training events for all staff of the new CMA.

Objective 4

Ensure no undue burden on business or taxpayers

Led by Rachel Merelie, Senior Director, Inquiries

The aim of Objective 4 was to ensure that the CC did not place an undue burden either on business or on taxpayers, subject always to making robust decisions on analysis and remedies and conducting processes fairly and transparently.

Much of the focus during the year had been to define the procedure and practices that the CMA operated from its launch in April 2014. This work is covered under Objective 7.

In addition, the CC had continued to focus on making the CC's inquiries more efficient; ensuring that the CC's inquiries were completed within budget; and minimising as far as possible the burden on business. In particular:

- We published final reports on 11 merger inquiries during the year, taking an average of 17 weeks to reach our provisional findings. This average was a little longer than in 2012/13, reflecting the level of complexity of many of the cases and the generally high workload across the CC. Six of these merger references were extended. Four of the mergers referred to the CC during 2013/14 continued into 2014/15, as well as one which was remitted to the CC by the CAT.
- On one smaller merger, we were able to proceed more quickly than usual, publishing our final report (a clearance) in 16 weeks.
- We continued to benefit from streamlined procedures on our market investigations and, in particular, published our annotated issues statement on payday lending within 7 months of the reference and the CMA expect to publish the provisional findings within 12 months.
- We worked closely with the OFT on both merger inquiries and market investigations to minimise duplication between the first and second phases on inquiries in our last year as separate organisations. We also worked closely with other regulators (including the FCA on payday lending), ensuring a joined-up approach across government.
- We tailored our information requests and analysis appropriately on our inquiries, particularly where the businesses involved are small.

Objective 5(a)

Ensure positive engagement with CC stakeholders and external representation of the CC

Led by John Kirkpatrick, Director of Policy

The aim of Objective 5(a) was to ensure that the CC contributed effectively to the development of UK competition law, policy and institutional structure.

The bulk of the CC's work under this objective this year was directed to refining and progressing changes to the competition regime with the OFT, BIS and HM Treasury and the shadow leadership of the new CMA. These are covered under Objective 7.

In addition, this year the CC has:

- Conducted and published the report of its biennial Stakeholder survey. Overall satisfaction with the CC continued to be very positive, with over 40 per cent of stakeholders continuing to give the CC a high overall

satisfaction rating. Stakeholders' ratings of the CC on specific service elements have generally improved since 2011 and there was no significant decline in the rating of any aspect of the CC's work.

- Contributed evidence and advice to the Government's review of regulatory appeals and to reforms to the regulatory regimes governing aviation, health and payments systems.

Objective 5(b)

Influence the development of international competition policy and implementation and learn from international best practice

Led by Carole Begent, Deputy Chief Legal Adviser and Head of International

The aim of Objective 5(b) was to ensure that the CC was abreast of and took appropriate action in light of developments of competition policy and best practices and influence such developments.

The CC contributed to several round table discussions of the OECD including definition of transaction for the purpose of merger control, investigations of consummated and non-notifiable mergers, the role of competition in financial consumer protection, experiences with national/international provisions allowing for exchange of Information without Waivers, role and measurement of quality factors in competition analysis, competition issues in the food chain industry as well as to the longer-term projects of co-operation between competition authorities and impact evaluation.

It also participated in the work of the International Competition Network, principally through the Agency Effectiveness group's project on investigate process.

The CC's role as co-chair of the EU Merger Working Group continued, the CC led on discussion of interim measures and final remedies and attended the Directors' General Meetings hosted by the European Commission.

The CC provided assistance to several overseas authorities and took part in the EU-China Competition week held at Ministry of Commerce offices in February 2014, at which the design and implementation of remedies was explored. Much of the contribution was performed jointly with the OFT, the two agencies sharing resource and expertise and in doing so, facilitating an efficient handover to the CMA.

Objective 6

Support the organisation by ensuring the efficient and effective services and support mechanisms are in place

Led by Rebecca Lawrence, Director of Corporate Services

The aim of Objective 6 was to ensure efficient and effective corporate services and back-office support to the rest of the organisation. Additionally this objective dealt with corporate governance, business continuity, internal audit functions, risk management, security, data handling and information security. The Director of Corporate Services was the CC's Departmental Security Officer and Senior Information Risk Officer.

CC staff led several of the CMA development workstreams including finance; strategy, policy and knowledge; and information management, and provided active support to the OFT or CMA leads on others.

The CC retained its Customer Service Excellence accreditation in 2013 for its corporate service teams. The CC's IT infrastructure gained PSN/GSI accreditation in August 2013 and the website complied with CIO/DDA requirements.

The CC participated in the OFT's IIP programme as part of the transition to the CMA. A baseline assessment of the CC was undertaken and the report was used to prepare for a full re-accreditation visit for the CMA.

The CC worked with central Government on some of its key initiatives including: implementing the Cabinet Office Efficiency Reform Group controls within the CC; and ensuring the CC complied with the government transparency agenda; and worked in partnership with BIS's Corporate Services Portfolio Board, its Finance Directors' Network, its Partner Engagement Group and its Network of Excellence.

The CC continued to work to enhance its corporate governance, risk management, security and information assurance measures and to implement good practice where appropriate. Internally this included:

- drafting early guidance on the new Government Protective Marking Scheme and working closely with CMA security workstream to plan implementation in the CMA;
- developing a Risk Management and Accreditation Documentation Set for IL4;

- carrying out annual internal audit of the CC's information and communications technology (ICT) security, which found strong (green) controls to be in place; and
- creating an enhanced security page on CC's Intranet.

The CC continued to share its back-office services with other organisations as both a provider and a receiver to reduce costs and improve the quality of the service, and to ensure that all services were effectively procured to achieve value for money. In particular, the CC:

- continued to provide a range of corporate services to its tenants in Victoria House; and
- prepared for CMA transition and ensured that remaining contracts/support arrangements were transferred to the CMA.

The CC played an active role in the CMA ICT work stream working closely with colleagues from the OFT and CMA to ensure that the CMA's ICT needs were met, and ensuring that the CC's IT continued to operate as normal in the transition period. In particular, the CC:

- ensured that its ICT business resilience plans were effective and complete, improving and testing of its ICT disaster recovery system in 2013;
- maintained its ISO 20000 accreditation for service management;
- created an interim CMA ICT infrastructure in October 2013 to support early appointees to the CMA;

- continued to ensure that the CC's ICT systems fully utilised new technology to deliver a cost-efficient, effective and secure service to the CC and its customers; and
- took part in the Communications-Electronics Security Group's (CESG's) Security Culture Employee Survey which showed that overall the security culture for the CC was perceived to be good by staff, with scores that were consistently higher than the UK national average.

The CC continued to attract and retain staff within the constraints of government's procurement and recruitment guidelines and provided support in a period of uncertainty over the future of staff positions by:

- continuing to engage on a regular basis with the Staff Council;
- providing employee assistance and support for staff as required;
- continuing to provide learning and development opportunities, including support with the civil service competency framework;
- participating in the Civil Service People Survey for the first time in October 2013, the results were shared with staff and a joint report was created combining the CC and OFT for the CMA Board to support action planning in the CMA to enhance engagement in the new organisation;
- playing an active role in the CMA HR work stream, ensuring that staff and their terms and conditions were transferred to the CMA, and that the CC was represented during discussions about the CMA and how staff would be affected and treated; and
- implementing the pension auto enrolment scheme in November 2013.

Objective 7

To ensure a smooth and successful transition to the new CMA

Led by John Kirkpatrick, Director of Policy

The aim of Objective 7 is that the CMA is established in a timely way and is equipped to realise the Government's ambitions for it.

This year, under Objective 7 the CC has:

- provided expert advice to the Government and the CMA leadership on the implementation of the Enterprise and Regulatory Reform Act, including the drafting of secondary legislation, rules and guidance;
- led several CMA transition project workstreams including strategy, culture and finance and contributed at all levels to decisions on the design and development of the CMA and on the practical aspects of transition;
- ensured that CC views and experiences were reflected in the advice the CMA leadership received so that important elements of the CC's practices and culture can be preserved and the CMA can achieve the improvements in efficiency and effectiveness the Government expects of it; and
- regularly briefed its staff and members on the progress of the transition and its effects on them, and provided them with opportunities to contribute to the CMA's emerging thinking and to equip them to work effectively in the new authority.

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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 was a Non-Departmental Public Body established by the Competition Act 1998. It replaced the Monopolies and Mergers Commission on 1 April 1999.

The CC conducted 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 was 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 also had jurisdiction to consider appeals against Gas and Electricity Markets Authority (GEMA) decisions on modifications of certain energy industry codes. The CC had no power to conduct inquiries on its own initiative.

3. Council and membership

The CC consisted of members, who were supported by staff. The Chairman and Deputy Chairmen were members of the CC. The Chairman chaired the Council (the strategic management board). The Council also included the Deputy Chairmen, the Chief Executive, and non-executive CC members.

At 31 March 2014 the membership comprised the Chairman, three Deputy Chairmen, four non-executives, and 32 members of the reporting panel, of whom 12 were also members of the specialist utilities panel, 3 were members of the newspaper panel and 6 were members of the communications panel. All members were appointed by the Secretary of State.

TABLE 1 CC MEMBERS IN POST DURING APRIL 2013 TO MARCH 2014

Members at 31 March 2014	
Chairman	1
Deputy Chairmen	3
Non-executives	4
Reporting panel members	32
(included 12 members also on the utilities panel, 3 on the newspaper panel and 6 on the communications specialist panel)	

Please refer to the earlier section on the CC Council for full membership details.

Each inquiry was 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 105 to 112.

Remuneration details of the Council members are disclosed in the Remuneration Report on page 67.

4. Outside interests

The CC expected 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 was founded on these principles.

A register of the outside interests of the CC's Council, and other CC members, was maintained on the CC's public website: www.competition-commission.org.uk.

5. Financial results

The CC's main source of funding was grant-in-aid received from BIS. The CC drew down the grant to meet its cash requirements. Some other income was generated, primarily from sub-tenants occupying space at Victoria House.

Council report (continued)

Revenue grant-in-aid received was £24,473,000 (2012/13: £19,471,000). Capital grant received was £27,000 (2012/13: £284,000).

Income and expenditure was accounted for on an accruals basis. This treatment resulted in an annual deficit that was taken to the Income and Expenditure reserve balance that appears in the balance sheet.

In 2013/14 the overall deficit for the year of expenditure over income after interest and taxation was £23,209,000 (2012/13 deficit £22,038,000). Operating expenditure was £26,732,000 (2012/13: £25,976,000).

6. Financial performance measure

BIS reviewed 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 two-year summary in DEL format:

TABLE 2 CC'S TWO-YEAR EXPENDITURE

	2013/14 Actual £'000	2012/13 Actual £'000
Payroll costs	12,352	11,650
Accommodation costs (net)	5,533	5,097
Other costs less sundry income	5,324	5,291
Revenue DEL	23,209	22,038
Capital expenditure	27	284

The following table reconciles the revenue DEL format for 2013/14 with the total operating expenditure of £26,910,000 shown in the Net Expenditure account:

TABLE 3 REVENUE DEL

	2013/14 Actual £'000
Revenue DEL	23,209
Add:	
income receivable	3,520
interest receivable	3
Operating expenditure per Net Expenditure account	26,732

The final budget set by BIS for 2013/14 was £22,428,000 (2012/13; £19,587,000), made up of revenue expenditure of £22,128,000 and capital expenditure of £300,000. The CC spent £23,236,000 made up of revenue expenditure of £23,209,000 and capital expenditure of £27,000 resulting in an overall overspend of £808,000 (4 per cent). BIS approved this overspend by providing additional grant-in-aid.

7. Income arising from CC activities not reported in the financial statements

There was 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 was provided to the appropriate regulator, which is responsible for collecting these costs from the regulated body. The regulators collected these costs and surrendered the proceeds to the Consolidated Fund, not to the CC.

The CC also provided a statement of the costs of merger inquiries to the OFT, which was responsible for setting the level of merger clearance fees. The OFT included the CC's costs of merger inquiries in its memorandum trading account used in accounting for merger fees.

8. Payment of creditors

The CC was committed to pay all supplier invoices by the due date or within five days of receipt if no due date had been agreed. Throughout the year 69 per cent of relevant invoices were settled within five days (2012/13: 79 per cent); 100 per cent was not achieved mainly due to the CC being a small organisation which had a limited number of people who had authorisation to approve invoices for payment.

9. Financial instruments

Please refer to note 9 in the notes to the financial statements.

10. Pension liabilities

Please refer to accounting policy 1(e) and note 16 in the notes to the financial statements.

11. Employee involvement

The CC had a Staff Council with staff representation from all parts of the organisation and reserved places for two trade union members (from the FDA and PCS). This was an important consultative forum for discussing new developments affecting staff. The Chief Executive ran monthly briefings and all staff were invited to hear presentations on issues of interest, updates on management changes and to raise any questions.

12. Employment of disabled people

The CC adhered 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 were audited by the Comptroller and Auditor General (C&AG). For the year ended 31 March 2014 the cost of work performed was £32,000. The audit services provided by the C&AG's staff related only to statutory audit work.

The Accounting Officer took all necessary steps to make himself aware of any relevant audit information and to establish that the CC's auditors were aware of that information.

So far as the Accounting Officer was aware, there was no relevant information of which the CC's auditors were unaware.

14. Events after the reporting period

The CC closed on 1 April 2014 when its functions, assets and liabilities transferred to the CMA.



David Saunders
Chief Executive and Secretary
Accounting Officer
4 June 2014

Strategic report

1. The CC and its external environment

The CC was the Phase 2 body in the UK's competition framework. It could only conduct inquiries after it had received a reference, in most cases, from the OFT, or another regulator with powers to refer to the CC. The OFT conducted the initial probes into mergers and markets, and referred cases to the CC where it had a reasonable belief that there might be problems with competition. The CC also had 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 were able to make licence modification referrals or price control references intermittently.

2. The CC's employees

The CC had 132 employees at the end of March 2014 (161 at the end of March 2013). This employee data was calculated in a different way from the calculations in the accounts which looked 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 excluded agency workers and contractors. Staff turnover for the year was 16.32 per cent excluding retirees and fixed-term appointees. Turnover also excludes those who left the CC as part of the redundancy programmes run as part of the transition to the CMA. The CC had 13 people leave on redundancy terms. This includes two who were retained by the CMA until May and June 2014 respectively. This compares with the CIPD 2013 Resourcing and Talent Planning survey which reported the overall employee turnover rate for the UK to be 11.9 per cent.

47.7 per cent of the CC's most senior staff (Band A and above) were women and the overall organisational gender split was 49.6 per cent female staff to 50.4 per cent male staff. The CC's average sickness absence was 2.55 days per employee per year; this is significantly below the reported level of civil service sick leave which was at 7.4 days in quarter 4 of 2013. According to the civil service figures from last year, 42 per cent of all civil service staff took no sick leave last year, whereas 64.7 per cent of CC staff took no sick leave this year. The CC supported staff working flexibly to help with their work life balance and caring responsibilities and 11.76 per cent of staff had formal part-time working patterns, 34 per cent of whom were men. The CC recruited 26 new staff up to 31 March 2014 of which 46 per cent were women.

3. Environmental matters

The CC was committed to minimising the environmental impact of its activities. Up to 96 per cent of all waste materials were recycled via the CC's nominated supplier Grosvenor Waste.

4. Social and community issues

The CC supported its staff in contributing to society and granted special leave with pay to employees who acted as magistrates, elected members of a local authority or members of health authorities, tribunals, and training in youth leadership or any other voluntary activity.

5. Objective setting and strategy for achieving them

In March 2012 the Government announced its intention to reform the UK's competition regime in order to improve the quality of competition decisions, support the competition authorities in taking forward the right cases, and improve speed and predictability for business. One of the Government's key reform proposals was to create a single Competition and Markets Authority (CMA), combining the functions of the CC and the competition functions of the OFT. The Government passed legislation, the Enterprise and Regulatory Reform Act, which gave effect to its reforms in spring 2013 and the CMA was fully operational by April 2014. The CC was actively engaged with the Government in the development of its plans, and worked closely with the Government, the OFT and the CMA Chairman and Chief Executive Designate on the design of the new regime and on ensuring a smooth transition.

6. Significant features of the development and performance of the organisation in the financial year

During 2013/14 there were 12 inquiries brought forward from the previous financial year and 11 new inquiries. Of these, 17 were completed, and 6 carried forward to the next financial year. Of the 11 new inquiries received in 2013/14, 6 were merger inquiries, 1 was a market investigation, 1 was a merger remittal, 1 was a review of undertakings and 2 were regulatory appeals.

7. The CC's resources and how they were managed

The CC's primary resource was its staff; 59 per cent of CC staff were skilled professionals with competition expertise in economics, law, accountancy and business analysis. Inquiries were managed by Inquiry Directors. Inquiry work was supported by inquiry administration teams and Corporate Services functions. Staff were managed by the Chief Executive, three Heads of Profession, a Senior Inquiry Director, a Director of Policy and a Director of Corporate Services.

8. The principal risks and uncertainties facing the CC and the approach to them

The principal day to day uncertainty facing the CC was the variability of its workload. To mitigate this the CC employed some staff on a short-term basis using fixed-term contracts, fee-paid workers, agency staff, contractors and used secondments both into and out of the CC to give maximum flexibility on staff numbers. The CC also arranged appropriate developmental secondments to other agencies when workload was lower.

The CC continued to manage its risks through its risk management processes and policies during 2013/14. These are more fully recorded in the Governance Statement (pages 72-79), specifically under the capacity to handle risk and the risk and control structure. During 2013/14 there were no security or information assurance incidents reported to BIS or the Information Commissioner's Office.

9. Resources and liquidity

The accounts show a cumulative deficit on the Income and Expenditure Reserve of £7,694,000 at 31 March 2014. On the 1 April 2014 the majority of the CC's assets and liabilities transferred to the CMA, with the exception of the pension provision that transferred to the CC's sponsoring department, BIS. The statement of financial position indicates a negative balance because of timing differences between consumption and payment. The CC drew grant-in-aid to cover its cash requirements.



David Saunders
Chief Executive and Secretary
Accounting Officer
4 June 2014

Strategic report (continued)

TABLE 4

<i>Table Inquiry Summary</i>	<i>Mergers</i>	<i>Markets</i>	<i>Remittals</i>	<i>Review of undertakings</i>	<i>Energy appeal</i>	<i>Appeal under Communications Act</i>	<i>Other regulatory matters</i>	<i>Total</i>
New Inquiries 2013/2014	6	1	1	1	0	0	2	11
Inquiries brought forward from 2012/2013	6	4	0	2	0	0	0	12
Deduct inquiries cancelled	0	0	0	0	0	0	0	0
Deduct inquiries carried forward at 31 March 2014	1	3	1	0	0	0	1	6
Inquiries completed in 2013/14	11	2	0	3	0	0	1	17

Remuneration report

1. Remuneration policy

Remuneration of the Chairman, Deputy Chairmen and non-executives was set by the Secretary of State for BIS. The remuneration of the Chief Executive and all CC staff was considered by the CC's Remuneration Committee, which was chaired by Grey Denham (a non-executive Council member) and met three times during the year. The Committee took into account any relevant recommendations of the Senior Salaries Review Body and government policy on public sector pay, and the CC's Chairman gained approval from BIS for the Chief Executive's pay and bonus proposals.

2. Appointments

Members of the Council were 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 was subject to audit.

The remuneration of members of the Council of the CC is given in the Table 9.

Benefits in kind were zero. Taxable expenses related to home to office travel, which were paid by the CC, including the Income Tax and National Insurance thereon. The Chief Executive received a bonus payment which related to 2012/13 of £7,000 which is included in the salary costs. The Chief Executive was also awarded a bonus of £7,070 for 2013/14 but waived payment of this bonus.

Salary payments shown above for Ms Penny Boys, Mr Grey Denham, Dame Janet Paraskeva and Ms Lesley Watkins relate to fees paid.

The salaries for Mr Roger Witcomb, Mr Simon Polito and Mr Alasdair Smith included payment in lieu of pension as they all opted not to join the CC's pensioned by analogy to the Principal Civil Service Pension Scheme (PCSPS).

The total remuneration of the most highly paid director in the CC in the financial year 2013/2014 was £148,400. This was three times the median salary of the workforce (2013/14, three times), which was £48,750 (2012/13 £50,146).

In 2013/14, (2012/13, none) no employees received remuneration in excess of the highest-paid director. Remuneration ranged from £18,000 to £141,400 (2012/13 £18,000 – £140,000)

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

The CC's Audit Committee in place during the year ended 31 March 2014 met in May 2014 to approve the CC's Annual Report and Accounts. The salary costs for those attending including the Accounting Officer was £1,400. These costs were met by BIS and were not included in the CC's accounts.

4. Pension details of Council members

Professor Martin Cave was pensioned by analogy to the Principal Civil Service Pension Scheme (PCSPS), gaining benefits commensurate with his salary and service. No contributions were made to this scheme by the CC but the pensions were paid to retired members when they became due. Mr Roger Witcomb, Mr Simon Polito and Mr Alasdair Smith opted not to be part of the PCSPS scheme and the CC did not pay any contributions to a private scheme. Mr David Saunders was 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 Ms Penny Boys, Mr Grey Denham, Dame Janet Paraskeva and Ms Lesley Watkins were not part of the pension scheme.

The members quoted do not have pension arrangements that differ from the standard.

Remuneration report (continued)

TABLE 5: COUNCIL MEMBER APPOINTMENTS

	<i>Date appointed</i>	<i>Date appointment ended</i>
Mr Roger Witcomb (Chairman)*	7 May 2011	31 March 2014
Professor Martin Cave (Deputy Chairman)	2 January 2012	31 March 2014
Mr Simon Polito (Deputy Chairman)	9 January 2012	31 March 2014
Professor Alasdair Smith (Deputy Chairman)*	10 January 2012	31 March 2014
Ms Penny Boys (non-Executive)	20 November 2012	31 March 2014
Mr Grey Denham (non-Executive)*	1 September 2009	31 March 2014
Dame Janet Paraskeva (non-Executive)*	20 November 2012	31 March 2014
Ms Lesley Watkins (non-Executive)*	1 September 2009	31 March 2014
Mr David Saunders (Chief Executive)	9 February 2009	31 March 2014

*Member of the Remuneration Committee as at 31 March 2014.

TABLE 6: REMUNERATION OF COUNCIL MEMBERS

	<i>Salary</i>	<i>Pension benefits</i>	<i>Taxable expenses</i>	<i>2013/14 Total</i>	<i>2012/13 total</i>
Mr Roger Witcomb (Chairman)	177,128		1,790	178,918	179,204
Professor Martin Cave (Deputy Chairman)	102,640		715	103,355	103,283
Mr Simon Polito (Deputy Chairman)	127,582		2,766	130,348	130,320
Professor Alasdair Smith (Deputy Chairman)	127,582		1,055	128,637	128,842
Ms Penny Boys (non-Executive)	5,950			5,950	1,800
Mr Grey Denham (non-Executive)	7,000			7,000	6,475
Dame Janet Paraskeva (non-Executive)	4,200			4,200	1,800
Ms Lesley Watkins (non-Executive)	7,000			7,000	6,875
Mr David Saunders (Chief Executive)	148,400	34,142		182,542	183,188

The members quoted did not contribute at a rate other than the standard PCSPS rate. (see Table 7.)

The figures in column 5 at the start of period CETV for 2013/14 are slightly different from the final period CETV 2012/13 shown in the accounts for 2012/13 due to certain factors being incorrect in last year's CETV calculator.

Cash Equivalent Transfer Values:

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a calculation of a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual had 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 had 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
4 June 2014

Remuneration report (continued)

TABLE 7

	<i>Column 1 Real increase in pension £'000</i>	<i>Column 2 Real increase in lump sum £'000</i>	<i>Column 3 Pension at 31/03/14 £'000</i>	<i>Column 4 Lump sum at 31/03/14 £'000</i>
Professor Martin Cave	0 – 2.5	n/a	1 – 5	n/a
Mr David Saunders	0 – 2.5	0 – 5	60 – 65	188

TABLE 7 (CONTINUED)

	<i>Column 5 CETV at 31/03/13 (nearest £'000)</i>	<i>Column 6 CETV at 31/03/14 (nearest £'000)</i>	<i>Column 7 Employee contributions and transfers-in £'000</i>	<i>Column 8 Real increase in CETV after adjustment for inflation and changes in market investment factors (nearest £'000)</i>
Professor Martin Cave	42	83	3.5 – 4	40
Mr David Saunders	1,355	1,452	6.5 – 7	11

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, recognised gains and losses and cash flows for the financial year.

In preparing financial statements the CC is required to comply with the requirements of the Government Financial Reporting Manual and in particular:

- (i) 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;
- (ii) make judgements and estimates on a reasonable basis;

- (iii) 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
- (iv) 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 former Chief Executive to the CC as the Accounting Officer for the CC. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping of proper records and for safeguarding the CC's assets, are set out in the Accounting Officer's Memorandum issued by the Treasury and published in Managing Public Money.

Governance Statement

Scope of responsibility

As Accounting Officer, I had responsibility for maintaining a sound system of governance and internal control that supported 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 was personally responsible, in accordance with the responsibilities assigned to me as set out in Managing Public Money.

On 1st April 2014 the properties, rights and liabilities of the CC were transferred into the newly created CMA, which brought together the CC with the competition and certain consumer functions of the OFT in order to promote competition, both within and outside the UK, for the benefit of consumers.

As Accounting Officer, I had responsibility for ensuring that the CC met quarterly with its sponsor department the BIS. At these meetings, BIS was informed of all high level risks, and in particular any affecting our financial situation.

I was also (as the secretary of the CC) a member of the CC's Council². The Council was the CC's strategic board and was responsible for ensuring the efficient discharge of the CC's statutory functions and that the CC complied with any statutory or administrative requirements for the use of public funds.

I was 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, set out the broad structure within which the CC operated;
- advising the Council on the CC's performance against its aims and objectives;

- ensuring that financial considerations were taken into account fully by the Council at all stages in reaching and executing its decisions, and that appropriate financial appraisal techniques were followed; and
- taking action as set out in Managing Public Money if the Council, or its Chairman, was contemplating a course of action involving a transaction which I considered would infringe the requirements of propriety or regularity, did not represent prudent or economical administration, was of questionable feasibility, or was unethical.
- notifying BIS when I became aware of any frauds and attempted frauds at the CC.

I was also personally responsible for:

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

The purpose of the governance statement

The Governance Statement, for which I as Accounting Officer take personal responsibility, is intended to give a clear understanding of the dynamics of the CC's business and its control structure. Essentially, it aims to record the stewardship arrangements of the CC and to supplement the accounts, providing a sense of how the CC performed against its targets and objectives, and of how successfully it coped with the challenges it faced.

This statement also explains how the CC complied with the principles of good governance and reviews the effectiveness of these arrangements.

.....
2 As provided by Schedule 7 to the 1998 Competition Act, the Council was 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 comprised the Chairman, the secretary, three Deputy Chairmen and four Non-Executive Directors

The CC's governance framework and system of internal control

Overview

The CC's governance framework and system of internal control was designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve statutory obligations, policies, aims and objectives; it could therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control was an ongoing process designed to:

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

The CC's governance framework and system of internal control was fully in place in the CC for the year ended 31 March 2014, to the extent required, and accords with Treasury and Cabinet Office guidance. At no time has any part of the CC's system of control failed or been suspended.

The CC's governance framework

The CC's Council

The Council comprised the Chairman, three Deputy Chairmen, the Secretary (Chief Executive) and four non-executive directors. The Council had terms of reference in place supported by a Code of Conduct for Council members. It met on average seven times a year. Its primary role was to be the CC's strategic board and it was responsible for ensuring:

- the efficient discharge of the CC's statutory functions;
- that the CC complied with any statutory or administrative requirements for the use of public funds;
- that effective arrangements were in place to provide assurance on risk management, governance and internal control; and
- that the CC fulfilled its statutory duties.

Additionally the CC's Council ensured that the CC:

- observed the highest standards of propriety involving impartiality, integrity and objectivity in relation to the stewardship of public money;
- maximised value for money;
- was accountable to Parliament, users of services, individual citizens and staff for the activities of the CC, its stewardship of public funds and for its performance; and
- complied with Government policies and guidance on openness, responsiveness and for ensuring appropriate ethical standards were in place.

The Council was supported by a Remuneration Committee and Audit & Risk Assurance Committee both of which were chaired by non-executive directors.

The Council was also supported in its inquiry related work by four specialist 'Groups', the Analysis Group (AG), the Finance and Regulation Group (FRG), the Remedies Standing Group (RSG) and the Practices and Procedures Group (P and P), which had the following roles:

- **AG** oversaw the CC's approach and policies in relation to analysing the effects on competition of mergers in merger references, and features in markets during market investigations.
- **FRG** oversaw the CC's approach and policies in relation to analysing issues in references relating to regulated sectors under the relevant regulatory statutes.
- **RSG** oversaw the CC's approach and policies in relation to taking remedial action in market investigation references and merger references. The RSG also had a statutory role in implementing remedies and varying, releasing or revoking undertakings or orders.
- **P and P** oversaw the CC's procedures in relation to the conduct of inquiries and appeals in order to promote efficient and best practice, and, as appropriate, ensure consistent practice across inquiries.

Governance Statement (*continued*)

All four groups aimed to ensure that the CC's expertise and guidance was appropriately developed and applied as circumstances dictated and to ensure that the CC delivered its inquiry work effectively.

Additionally the Council received relevant information from the CC's CMA transition teams to enable them to ensure that suitable mechanisms and structures were in place to support the CC through transition to the CMA in April 2014.

Senior Management Team

The SMT met on a fortnightly basis and comprised the Chief Executive, the three Heads of Profession (the Chief Legal Adviser, the Chief Economist and the Chief Financial & Business Adviser & Head of Remedies), the Senior Inquiry Director, the Policy Director and the Director of Corporate Services. SMT considered and discussed:

- significant changes in inquiry and non inquiry policies, procedures and good practice and/or the potential introduction of new policies;
- significant changes and/or significant issues arising in connection with CC internal and external guidance in relation to its inquiry work;
- wider policy matters that impacted on the CC or in which the CC might become involved;
- corporate governance, business and corporate planning and annual reporting;
- budget setting, financial and resource prioritisation;
- financial reporting including expenditure against budget and forecast under/overspends on a monthly basis;
- risk management including reviewing the SMT risk register on a quarterly basis;
- business continuity planning;
- data handling, information assurance and security;
- staff development, retention and recruitment;

- decisions affecting services and support provided by the Corporate Services team ensuring that these met the needs of the CC; and
- the CC's external role and in particular relations with key stakeholders.

The SMT and Chief Executive were supported by a number of sub groups including a Business Continuity Group, Security Working Group (SWG), EDRM and ICT user group, CC Programme Board etc.

Council performance

The Council discussed and made any strategic decisions that impacted on the CC.

In 2013/14 its focus was on risk management, budgetary control, the implications of the merger of the CC with the OFT to create the CMA on 1 April 2014, including assisting the CMA with transition whilst ensuring that the CC continued to deliver against its core objectives, staff training and welfare, and changes in policy that affected the CC's work.

No recommendations were made during the year by the Audit & Risk Assurance Committee or the Remuneration Committee to Council as a result of an adverse finding or concern highlighted during the course of their work.

The Council functioned effectively during the year. Given the closure of the CC in 2014, the CC decided not to conduct a formal assessment of the performance of the CC's Council in 2013/14.

All members of the CC's Council complied with the CC's Code of Practice throughout the year and were on the CC's payroll, therefore paying National Insurance and PAYE as appropriate.

The CC's Council met seven times during the reporting period; attendance at Council and the CC's Audit & Risk Assurance Committee (five meetings) and Remuneration Committee is reported in the table below.

TABLE 11 COUNCIL ATTENDANCE

Board Member	Council	Audit & Risk Assurance Committee	Remuneration Committee
Mr Roger Witcomb (Chairman)	7	*	3
Professor Martin Cave (Deputy Chairman)	7	*	*
Mr Simon Polito (Deputy Chairman)	4	*	*
Professor Alasdair Smith (Deputy Chairman)	6	*	2
Penny Boys CB (non-Executive)	7	5	*
Dame Janet Paraskeva (non-Executive)	7	*	3
Mr Grey Denham (non-Executive)	7	5	3
Ms Lesley Watkins (non-Executive)	7	5	3
Mr David Saunders (Chief Executive)	7	5	3

*not a member of the committee during the year

** an attendee rather than a member of the committee

Risk and internal control framework

The risk and control structure

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

The nature and impact of the CC's work led the CC to balance its risks carefully. The CC had 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 defined the importance of managing the CC's risks and was in line with the government's risk appetite as identified by HMG Chief Information Officer. The CC's risk register reflected the CC's risk tolerance. Where residual risks were classified as low the CC accepted the risk. Where risks were ranked as medium or high the CC endeavoured to mitigate the risk. The CC monitored any residual risks classified as low to ensure that the risk was correctly assessed and did not change materially.

The following processes were in place as part of the CC's overall risk and control framework which demonstrates how risk management was embedded into the work and decision making of the CC:

- (a) the Council ensured that appropriate arrangements were in place in relation to risk management, governance and internal control to enable the Council to assure itself of the effectiveness of the internal control and risk management systems within the CC.
- (b) the SMT included the Senior Information Risk Owner (SIRO) and senior representatives from across the CC. The SMT usually met twice a month with a standard agenda item covering any exceptional issues that needed to be reported, and any risk and data handling issues of concern could be addressed at this time; ad-hoc meetings were arranged if there was an urgent issue that needed to be discussed. In addition, SMT specifically met quarterly to discuss risk and information risk management. In terms of risk management the SMT had the following overarching objectives and was assisted by the Planning department in ensuring that:

- the operational and other risks faced by the CC in carrying out its functions were properly identified and were evaluated regularly and monitored by management at appropriate levels;
- that the CC considered all types of risks including ethical and reputational risks and including those

Governance Statement *(continued)*

- risks related to contracted out services to non public office holders;
- appropriate and effective procedures were established and were maintained by management to address the identified risks;
 - risk owners and those responsible for taking forward individual risks ensured that:
 - identified controls were effectively managed and regularly reviewed;
 - additional actions highlighted in the plan were carried forward; and
 - contingency plans were workable and robust;
 - the existing management structures enabled risk to be managed appropriately.
 - those risks that were identified as strategic were managed by Council, however the SMT had a key role in ensuring that relevant risks were put up to Council for consideration, review and potential reclassification or inclusion as a strategic risk.
- (c) Below the SMT, a number of individuals were also responsible for managing specific risks.
- (d) Every manager within the CC was responsible for identifying the types of risks that fell within their own remit;
- (e) An annually updated Corporate and Business Plan was agreed with BIS. It contained the CC's priority objectives from which the objectives of all functions, teams and managers were derived;
- (f) Project plans were drawn up for all inquiries and Inquiry Directors reported progress to me on a weekly basis. A formal progress report on the status of each inquiry was issued at key stages of the inquiry and the progress report identified key risks facing the inquiry, which were discussed in a progress meeting. Upon completion of the inquiry, formal reports were issued commenting on all aspects of the inquiry plan and process;
- (g) Financial control and value-for-money considerations were 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;
- (h) The Director of Corporate Services reviewed and signed off data sets of accounts payable transactions on a monthly basis;
- (i) Mechanisms were in place to ensure all CC contractors were compliant with the intermediaries legislation (IR35) – Working through an intermediary, such as a Personal Service Company. Additionally the Efficiency Reform Group put in place a number of financial controls with which the CC complied. This included ensuring that robust processes were in place for procurement, travel, events and hospitality and that these processes were reviewed annually as part of the CC's internal audit programme;
- (j) Following the Managing Risk of Financial Loss exercise in 2011/12 the CC had an action plan in place to address any weaknesses. Plans were progressed as agreed and principles were embedded in the CC;
- (k) A CC Programme Board (CCPB) met to review the progress on all CC projects, set long-term CC strategy goals and reviewed benefits of completed projects;
- (l) Project Boards were established for all major projects in accordance with Prince 2 project management guidelines to ensure that projects were managed under generally accepted project management techniques, including identification and assessment of project risks;
- (m) A Staff Council, with representatives from staff at all levels, met at least three times a year to advise staff of changes affecting the organisation and to take account of their views and concerns;

- (n) Responsibility for the CC's health and safety procedures (including the maintenance of annual external audits) was delegated to an officer. Health and Safety was a standard agenda item at Staff Council. Additionally the SWG was responsible for ensuring the CC complied fully with Health and Safety legislation;
- (o) A staff Code of Conduct was in place to which staff adhered to ensure high standards of ethical behaviour, openness and accountability.

Public stakeholders were not involved in the management of risk because of the nature of the CC's work.

The CC's risk and control framework ensured that changes in the day to day working practices of the CC were made quickly and embedded into the CC's practices and procedures.

Capacity to handle risk

The CC actively identified, assessed and managed key risks using the CC's risk register. In order to mitigate its risks the CC had a clearly defined risk management structure. Each member of the SMT was responsible for managing the risks associated with their corporate plan objectives for 2013/14. The risk register recorded 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 included the CC's most significant or strategic risks which were managed by the Council.

The risk management process allowed the CC to monitor and manage effectively any risk that it faced, including new risks that developed as part of a changing risk environment and pan directorate risks (i.e. risks that had an impact across more than one directorate). The CC's Risk and Data Handling Policy was formally endorsed by Audit & Risk Assurance Committee on 6 March 2013.

Data Policy

- (a) The SWG worked alongside BCG and reported to the SMT and the Audit & Risk Assurance Committee. It was responsible for ensuring the CC implemented guidance

on the protection and security of its IT, physical and data assets. They implemented guidance from:

- Communications-Electronics Security Group (CESG) who are the national technical authority for information assurance;
- The Cabinet Office; and
- The Centre for the Protection of the National Infrastructure (CPNI).

The Director of Corporate Services, who was the Chair of the Committee, was also the CC's Departmental Security Officer (DSO) and SIRO. During 2013/14 there were no security data incidents that needed to be reported to the Information Commissioner or Cabinet Office or CESG;

- (b) The SWG was supported by a Security Incident Team (SIT) that dealt with data losses and information breaches;
- (c) The SIRO, with the help of the SWG, completed the following information assurance return for 2013/14:
 - Cabinet Office Security Risk Management Overview (SRMO) 2013/14.

This return was independently validated and audited by the CC's internal auditors (Cross Departmental Internal Audit Service – XDIAS). We completed a Cyber Security Questionnaire as requested by the Cabinet Office assessing the understanding of cyber security at board level.

- (d) The CC used the Cabinet Office Information Assurance Maturity Model (IAMM) to review its Information and Communication Technology (ICT) systems and processes in early 2013. The review identified that the CC was currently fully compliant with the 2018 IAMM target threshold, and all of the 2010 targets; we maintained our standards during 2013/14.

Governance Statement (continued)

Following a review by the Security Working Group on 5 February 2014 and approval by me, the SRMO return was submitted to BIS on 12 March 2014.

The CC also completed annual assessment and data handling returns to BIS. These returns provided a high degree of assurance that appropriate processes and systems were in place to ensure that the CC was able to handle security and information assurance risks effectively.

Risks

The main strategic risks during the year were that:

- The potential destabilising effect of the transition to the CMA alongside the deterioration in pay and employment conditions as a result of broader government policy, might adversely affect staff morale and the CC's performance. Staff might choose to leave the CC as a result and the CC might struggle to recruit experienced replacements; and
- The CC forecast an overspend against its budget for 2013/14 due to the high workload and to the CC being unable to let vacant accommodation within Victoria House at the headline rent for part of the financial year and then needing to ask tenants to vacate accommodation to house the CMA.

Ministerial directions

No ministerial directions were given in the year.

Internal audit

The CC's Internal Audit Service looked at the CC's risk management and governance processes on an annual basis. A different aspect was reviewed each year as part of the IAS audit plan. The CC's Internal Audit Service was outsourced to BIS.

The IAS 2013/14 Annual Report states:

As Chief Audit Executive (BIS internal audit services), I am required to provide the Accounting Officer with an opinion on the overall **adequacy and effectiveness** of the organisation's framework of risk management, control and governance.

The overall level of assurance I provide reflects the degree of confidence that I have in the effective operation of the framework that operated across the entire organisation. Determination of the level of assurance is a judgement informed by the scope of audit work undertaken and interpretation of the findings from individual assignments, but also informed by the results of follow-up actions from previous years, the annual review of corporate governance, knowledge of the business environment, effects of any material changes in the organisation's objectives or activities, counter fraud measures, and matters arising from previous reports or other assurance providers such as the National Audit Office (NAO).

We planned our work so that we had a reasonable expectation of detecting significant control weaknesses in each of the areas covered. However, internal audit procedures alone, although they are carried out with due professional care, do not guarantee that fraud will be detected. Accordingly, our examinations should not be the sole means relied upon to disclose fraud, defalcations or other irregularities which may exist.

Annual opinion on internal controls

	Unsatisfactory	Improvement Required	Satisfactory
Overall Assurance Level			⊗

This **Satisfactory** opinion, on the design, adequacy and effectiveness of the system of internal control operating within the Competition Commission, is based on the work we have undertaken; the overall internal audit programme; and management actions resulting from our work for the 12 months ended 31 March 2014. We identified **no significant control weaknesses** in the specific systems and processes reviewed as part of our work that could have had an impact on the achievement of the organisation's objectives.

Review of effectiveness

As Accounting Officer, I had responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system was 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 had strong risk management processes in place, and sought to ensure that these processes helped the CC to mitigate any risk effectively. The Audit & Risk Assurance Committee assessed the framework for internal control and risk management. My review of the effectiveness of the system of internal control as part of the Governance Statement process was considered by the Council and the Audit & Risk Assurance Committee. I am content that plans were in place to identify and address weaknesses, and to ensure continuous improvement, for example completing the SRMO and SPF returns, conducting the ICT IAMM review, considering the Information Assurance Strategy and taking any mitigating action required as part of the CC's overall risk management process.

The internal auditors reported regularly to standards defined in the Government Internal Audit Standard and the Head of Internal Audit reported on the adequacy and effectiveness of the CC's system of internal control and provided recommendations for improvement. The Audit & Risk Assurance Committee reviewed the progress on implementing any recommendations.

Significant control issues

As part of the review of effectiveness, I am required to disclose any actions taken or proposed to deal with significant control issues. Taking into account the tests in Managing Public Money, external audit and Value for Money reports I can confirm that the CC did not have any significant control issues during 2013/14.



David Saunders
Chief Executive and Secretary
Accounting Officer
4 June 2014

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 the Competition Commission for the year ended 31 March 2014 under the Competition Act 1998. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, 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 Board, Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Board and the 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in

the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Competition Commission's affairs as at 31 March 2014 and of the 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 made under the Competition Act 1998 and
- the information given in the Council's Report and Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or

- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

My explanatory report is at pages 82 to 83.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
6 June 2014

Report of The Comptroller and Auditor General to The Houses Of Parliament

Introduction

The Competition Commission was a non-departmental public body, sponsored by the Department for Business, Innovation and Skills, responsible for the promotion of healthy competition between companies in the UK for the benefit of consumers and the economy. It was created after the passing of the Competition Act 1998. The Commission's remit was to conduct in-depth investigations into mergers and markets, and to deal with other enquiries in those regulated industries as set out in United Kingdom Competition Law, following a reference from the Office of Fair Trading or one of the sector regulators.

In 2012 the Government announced its plans for reform of the United Kingdom competition regime. These plans were promulgated under the Enterprise and Regulatory Reform Act 2013. The Act provided for the abolition of the Commission, and the Office of Fair Trading, and the creation of a new Competition and Markets Authority. All of the Commission's powers and functions were transferred to the Competition and Markets Authority on 1 April 2014. I am responsible for auditing, certifying and reporting on the financial statements of the Competition and Markets Authority. Included within the scope of my audit of the financial statements for the year ending 31 March 2014, is work to provide assurance to Parliament over the completeness and subsequent transfer and distribution of those assets and liabilities held by the Commission at the point at which it was closed.

Basis of preparation of the financial statements

I draw attention to the disclosures made in note 1 to the financial statements. The Commission ceased operations on the 31 March 2014. Its closing assets and liabilities amounted to total net liabilities of £7.69 million, of which £5.59 million were transferred to the Competition and Markets Authority, as set out in the following paragraphs. As the functions of the Commission continue to be carried out by government, the financial statements have been prepared on a going concern basis, as required by the Financial Reporting Manual.

Costs reported in the financial statements

My audit of the Commission's financial statements covers the costs of the Commission's operations for the financial year. The costs relating to the setting up of the Competition and Markets Authority are not included; as these costs have been

borne by the Department for Business Innovation and Skills, and the costs which totalled £1.70 million in 2013-14 will be included in the department's accounts for 2013-14. During the year, Victoria House was refurbished in preparation for the CMA and this process was wholly managed and funded by the Department for Business Innovation and Skills.

Assets and liabilities transferred to the Competition and Markets Authority and other organisations

As at 31 March 2014, the Commission held assets of £8.16 million and liabilities of £15.85 million. The main assets included cash and other receivables due of £3.34 million, a leasehold asset in respect of improvements to Victoria House of £3.07 million and £1.26 million relating to the future dilapidations costs.

The Commission's liabilities included amounts payable to suppliers and other parties (mainly future payments due under a lease) of £11.10 million, provisions of £2.65 million relating to the Commission's obligations under its lease for Victoria House and pension liabilities of £2.10 million. The pension liabilities are to cover the pensions granted to some former Chairmen and Deputy Chairmen of the Commission.

The financial statements also report the Commission's future lease commitments of £64.51 million for Victoria House. The Commission took on a 20-year lease for office space in 2003, and the right to occupy Victoria House under that lease has transferred to the Competition and Markets Authority along with the Commission's assets, and certain liabilities as set out below:

- Under the transfer scheme, approved by Ministers, the Competition and Markets Authority received assets of £8.16 million and liabilities of £13.75 million, giving a net liability of £5.59 million. Meeting the cost of these liabilities will ultimately be covered by future grants of supply authorised by Parliament under the estimates process, as the Authority is a non-ministerial department funded by Parliament;
- The same scheme transferred the pension liability of £2.10 million to the Department for Business, Innovation and Skills, the sponsoring Department of the Commission;

- Responsibility for the operating lease for Victoria House has been novated to the Secretary of State for Communities and Local Government. The obligation for restoring the building to its original state transfers to the Competition and Markets Authority; and
- Assets with a recorded value of £42,000 were sold in 2013-14 for total proceeds of £2,500 realising a loss on disposal of £39,500.

My audit has provided me with assurance that the transfer of assets has been carried out in accordance with the transfer scheme. I have also gained assurance that the Commission's assets and liabilities as at 31 March 2014 have been completely and accurately recorded in the financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
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Victoria
London
SW1W 9SP
6 June 2014

Statement of Comprehensive Net Expenditure for the year ended 31 March 2014

	<i>Note</i>	2013/14 £'000	2012/13 £'000
Expenditure			
Staff costs	2	10,985	10,303
Member's costs	2	1,367	1,347
Depreciation/amortisation	6,7 & 8	472	853
Other expenditure	3	13,908	13,473
		26,732	25,976
Income			
Other income	4	(3,520)	(3,935)
Net Expenditure		23,212	22,041
Interest receivable		(3)	(4)
Net expenditure after interest		23,209	22,037
Corporation Tax		-	1
Net expenditure after interest and tax		23,209	22,038
Total Comprehensive Expenditure for the year ended 31 March		23,209	22,038

There was no other comprehensive expenditure.

The notes on pages 88 to 104 are part of these financial statements.

Statement of Financial Position as at 31 March 2014

	Note	31-Mar-14 £'000	31-Mar-13 £'000
Non-current assets:			
Property, plant and equipment	6	3,430	3,627
Intangible assets	7	130	158
Dilapidations asset	8	1,257	1,627
Trade and other receivables due after one year	10	1,794	1,814
Total non-current assets		6,611	7,226
Current assets:			
Trade and other receivables due within one year	10	1,482	422
Cash and cash equivalents	11	62	103
Total current assets		1,544	525
Total assets		8,155	7,751
Current liabilities:			
Trade and other payables	12	(2,229)	(2,488)
Total current liabilities		(2,229)	(2,488)
Non-current assets less current liabilities		5,926	5,263
Non-current liabilities:			
Provisions	13(a)	(2,647)	(3,099)
Pension liabilities	13(b)	(2,102)	(2,138)
Other payables	12	(8,871)	(9,011)
Total non-current liabilities		(13,620)	(14,248)
Assets less liabilities		(7,694)	(8,985)
Taxpayers' equity			
Income and expenditure reserve		(7,694)	(8,985)
		(7,694)	(8,985)

The notes on pages 88 to 104 are part of these financial statements.



David Saunders
Chief Executive and Secretary
Accounting Officer
4 June 2014

Statement of Cash Flows for the year ended 31 March 2014

	<i>Note</i>	2013/14 £'000	2012/13 £'000
Cash flows from operating activities			
Net deficit after interest		(23,209)	(22,038)
Depreciation/amortisation	6,7 & 8	472	853
(Revaluation)/devaluation	3	(343)	617
(Increase)/decrease in trade and other receivables	10	(1,038)	23
Decrease/(increase) in trade payables	12	(399)	1,005
Net utilisation of provisions	13	(36)	(59)
Loss on disposal of property, plant & equipment		39	-
Net cash outflow from operating activities		(24,514)	(19,599)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(27)	(284)
Purchase of intangible assets		-	-
Net cash outflow from investing activities		(27)	(284)
Cash flows from financing activities			
Grant from parent department		24,500	19,755
		24,500	19,755
Net financing		(41)	(128)
Net decrease in cash and cash equivalents in the period		(41)	(128)
Cash and cash equivalents at the beginning of the period		103	231
Cash and cash equivalents at the end of the period		62	103

The notes on pages 88 to 104 are part of these financial statements.

Statement of Changes in Taxpayers' Equity

	<i>I&E Reserve</i> £'000	<i>Revaluation Reserve</i> £'000	<i>Total Reserves</i> £'000
Balance as at 31 March 2012	(6,702)	–	(6,702)
Changes in Taxpayers' Equity 2012/13			
Comprehensive Expenditure for the year	(22,038)		(22,038)
Grant from parent	19,755		19,755
Balance as at 31 March 2013	(8,985)	–	(8,985)
Changes in Taxpayers' Equity 2013/14			
Comprehensive Expenditure for the year	(23,209)		(23,209)
Grant from parent	24,500		24,500
Balance as at 31 March 2014	(7,694)	–	(7,694)

The notes on pages 88 to 104 are part of these financial statements.

Notes to the Financial Statements

1. Accounting policies

These financial statements have been prepared in accordance with the 2013/14 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.

There were no new standards issued up to 31 March 2014 and not applied, that would materially affect the resource accounts. The CC has also not adopted any standards early.

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 were 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 was recognised when the service was provided.

(b) Non-current assets

Expenditure on non-current assets was capitalised. Intangible non-current assets comprise software licences. Tangible non-current assets comprise IT equipment such as servers, PCs and printers as well as office fixtures and fittings and office leasehold improvements. The capitalisation threshold limits and depreciation policy are explained below and at note (c). Tangible assets were carried at fair value.

Expenditure on major IT projects was capitalised. This included expenditure directly incurred on hardware, software and appropriate consultants' costs.

Non-current assets were capitalised where the cost was £1,000 or more. However, for grouped purchases of IT equipment, IT software or fixtures and furniture, individual items with a cost

of £200 or greater were capitalised where the total grouped purchase was £1,000 or more.

Consultants' expenditure was generally charged to the Comprehensive Net Expenditure Account when incurred. However, where the level of expenditure was over £100,000 and created a distinct asset for the CC which had a life of more than one year, consultants' costs that are directly attributable to the asset were capitalised.

Assets in the course of construction were capitalised at purchase cost and then depreciated from the date that they became operational.

Depreciated historical cost was used as a proxy for fair value as this realistically reflected consumption of the assets. This was used for non-property assets that had a short useful economic life and/or had a low value (ie IT, fixtures and fittings and intangibles). Revaluations would not have caused a material difference.

The leasehold asset was 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 was charged in respect of all capitalised non-current assets and charged to the Comprehensive Net Expenditure Account at rates calculated (less any estimated residual value) for each asset evenly over its expected useful life as follows:

Intangible non-current assets

Software licences: 2 to 4 years
One Item of software was being amortised over 10 years.

Tangible non-current assets:

IT: 3 to 5 years
Fixtures & Furniture: 5 to 10 years
Leasehold dilapidations: 20 years
Leasehold improvements: 20 years, ie over lease term

(d) Taxation

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

(ii) Costs shown for capitalised non-current assets include related Value Added Tax (VAT). Expenditure in the Comprehensive Net Expenditure Account is also shown inclusive of VAT, with the exception of costs relating to property sub-letting and some miscellaneous trading activities. The CC charged VAT to its tenants on property transactions and reclaimed VAT on its related expenditure. Expenditure on property that was sub-let and expenditure on miscellaneous trading activities is shown exclusive of VAT in the Comprehensive Net Expenditure Account.

(e) Pensions

Full staff and members pension details are given in note 16.

Provision was 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 was accrued and recognised in the Comprehensive Net Expenditure Account.

No recognition of the staff PCSPS scheme has been made in the CC's accounts as this is an unfunded multi-employer defined benefits scheme and the CC was 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 recognised the contributions payable for the year.

(f) Operating leases

Rentals were charged to the Comprehensive Net Expenditure Account in equal amounts over the lease term.

(g) Going concern

The Enterprise and Regulatory Reform Act 2013 provided for the abolition of the CC and the creation of a new Competition and Markets Authority. All of the CC's powers and functions were transferred to the Competition and Markets Authority on 1 April 2014. Assets and liabilities (excluding the pension liability which transferred to the Department for Business, Innovation and Skills) of the CC transferred to the Competition and Markets Authority. As the services of the CC continued to be provided (using the same assets, by another public sector entity), management consider the CC to be a going concern and as such accounts have been prepared on this basis as required by HM Treasury's Financial Reporting Manual.

(h) Provisions

The CC provided for legal or constructive obligations which were 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 was significant, the estimated risk-adjusted cash flows were discounted using the HM Treasury discount rate of 2.2 per cent a year in real terms (2012/13: 2.2 per cent a year).

Where provisions for leasehold dilapidations were required, the CC created a financial asset, using indexation to revalue the asset annually, and depreciated the asset over the remaining term of the leasehold. Further information on the dilapidations asset is detailed in note 8.

Details of the pension provision are provided in note 16.

(i) Financial instruments

Financial instruments were initially measured at fair value plus transaction costs unless they were carried at fair value through profit and loss in which case transaction costs are charged to operating costs.

The categorisation of financial assets and liabilities depends on the purpose for which the asset or liability was held or acquired. Management determined the categorisation of assets and liabilities at initial recognition and re-evaluated this designation at each reporting date.

Financial assets

The CC held financial assets, which comprised cash at bank and in hand and receivables, classified as loans and receivables. These were non-derivative financial assets with fixed or determinable payments that were not traded in an active market. Since these balances were expected to be realised within 12 months of the reporting date, there was no material difference between fair value, amortised cost and historical cost.

Financial liabilities

The CC held financial liabilities, which comprised payables. Since these balances were expected to be settled within 12 months of the reporting date, there was no material difference between fair value, amortised cost and historical cost.

(j) Reserves

Income and expenditure reserve

The CC accounted for its accumulated deficit in the Income and Expenditure reserve.

Notes to the Financial Statements (*continued*)

2. Staff numbers and related costs

The cost of staff remuneration was:

	2013/14 £'000 <i>Permanent staff</i>	2013/14 £'000 <i>Other staff</i>	2013/14 £'000 <i>Total</i>	2012/13 £'000 <i>Total</i>
Wages and salaries	6,395	2,297	8,692	8,150
Social security costs	668	142	810	760
Pension costs	1,330	153	1,483	1,393
Total	8,393	2,592	10,985	10,303

- (i) The remuneration of the Chief Executive is included in staff remuneration.
- (ii) Salaries include early retirement payments of £7,906 (2012/13: £8,567).
- (iii) Redundancy costs of £312,000 were funded by BIS as part of the transition to the CMA, only £16,000 is included in the above salary costs as this related to a payment in lieu of notice.

The cost of members' remuneration was:

	2013/14 £'000 <i>Chairman & Deputy Chairmen</i>	2013/14 £'000 <i>Other members</i>	2013/14 £'000 <i>Total</i>	2012/13 £'000 <i>Total</i>
Wages and salaries	535	605	1,140	1,119
Social security costs	70	57	127	136
Pension costs	100	–	100	92
Total	705	662	1,367	1,347

- (a) The Chairman's and Deputy Chairmen's pension costs relate to payments made to the pension scheme. See note 16 for information.
- (b) Members of the CC during the year are listed in pages 104 to 109. 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 were normally for eight years.
- (c) Members, including non-executive Council members, were paid a 'per diem' rate of £350 per day, which is equivalent to £50 per hour, and were reimbursed for their travel expenses.

2. Staff numbers and related costs (continued)

Average number of staff employed

The average monthly number of full-time-equivalent staff (FTE), including secondees from government departments, other organisations, staff employed on short-term contract and temporary staff, was:

	2013/14 FTE	2012/13 FTE
Employed on references:		
Permanent staff	87	93
Other staff	40	26
Total employed on references	127	119
Inquiry support:		
Permanent staff	11	11
Other staff	2	2
Total inquiry support	13	13
Support staff:		
Permanent staff	25	28
Other staff	10	5
Total support staff	35	33
Total staff	175	165

The CC's staff numbers increased due to the increase in the CC's workload, the main increase being for staff on fixed term contracts. Fixed term contracts were used to cover the period up to the transition to the CMA. All the posts were approved by the Secretary of State for BIS, following guidance from the Cabinet Office.

Reporting of Civil Service and other compensation schemes – exit packages

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
> £10,000		3	3
£10,000 – £25,000	1	4	5
£25,000 – £50,000		3	3
£50,000 – £100,000		2	2
Total Number of exit packages	1	12	13
Total resource cost	£22,000	£290,000	£312,000

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the organisation has agreed early retirements, the additional costs are met by the Civil Service Pension scheme.

Notes to the Financial Statements *(continued)*

3. Other expenditure

	2013/14	2012/13
	£'000	£'000
Rentals under operating leases	5,527	5,483
Running costs – Victoria House	3,450	3,088
Consultants' fees – inquiry related	2,076	1,222
Consultants' fees – not inquiry related	14	53
External surveys – inquiry related	475	440
Legal costs – appeals	364	270
Legal costs – other	354	228
IT support and maintenance	274	298
Software licences	123	83
IT equipment and consumables	107	92
Telecommunications and Internet charges	195	217
Inquiry variable costs	290	269
Travel, subsistence and hospitality:		
Members	131	120
Staff & contractors	49	48
Staff training	160	123
Staff recruitment	59	106
Subscriptions	153	122
Catering	242	278
Audit fees for statutory audit work	32	32
Other audit fees	26	23
Other administration	111	261
Non-cash items:		
Devaluation/(revaluation) charge	(343)	617
Loss on disposal of property, plant and equipment	39	
Other expenditure	13,908	13,473
Other non-cash items		
Depreciation/amortisation	472	853
Total other operating charges	14,380	14,326

At 31 March 2014, the CC occupied 63 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 £3,444,000 (2012/13: £3,474,000) which is included as income (see note 4). Operating lease rental costs included above were £5,665,000 for the year (2012/13: £5,621,000). The figure under rentals under operating leases includes an amount of £138,000 which relates to the CC's rent free period which has been calculated over the lifetime of the lease. The CC's consultants' costs have increased due to the CC's increased workload, consultants were used on short term contracts as additional resources.

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. Catering costs include costs associated with the delivery of hospitality to other organisations within Victoria House. The costs are recovered as sundry income, which are included in note 4.

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

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

The devaluation charge is the amount charged to expenditure because of the upwards revaluation of the leasehold asset. (See note 6) £1,700,000 CMA transition costs are not included in the above expenditure as these were all funded by BIS. Items that the CC paid for in relation to the CMA were all recharged to BIS.

4. Income

	2013/14 £'000	2012/13 £'000
Rent and other occupancy charges including corporate services charges:		
External:		
National Heart Forum	77	121
Intra-Government:		
Competition Service (CAT)	1,818	1,812
Groceries Code Adjudicator	39	–
Office of Manpower Economics/Low Pay Commission	759	753
Legal Services Board	356	504
OSPAR Commission	134	134
Consumer Focus	261	150
	3,444	3,474
Charges for seconded out staff		
External:		
Federal Trade Commission – USA	–	34
Intra-Government:		
Department for Business Innovation and Skills	–	28
Cooperation & Competition Panel	–	210
Civil Aviation Authority	–	59
	–	331
Sundry income	76	130
Total income	3,520	3,935

Notes to the Financial Statements (continued)

5. Analysis of Net Expenditure by Programme and Administration budget

Expenditure	2013/14			2012/13		
	£'000	£'000	£'000	£'000	£'000	£'000
	Programme	Administration	Total	Programme	Administration	Total
Staff Costs	9,666	2,686	12,352	9,103	2,547	11,650
Rentals under operating leases	2,101	3,426	5,527	2,063	3,420	5,483
Running costs – Victoria House	1,518	1,932	3,450	1,284	1,804	3,088
Consultants' fees	2,041	49	2,090	1,222	53	1,275
External surveys	475	–	475	440	–	440
Legal costs – appeals	364	–	364	270	–	270
Legal costs – other	307	47	354	176	52	228
IT support and maintenance	–	274	274	–	298	298
Software licences	–	123	123	–	83	83
IT equipment and consumables	–	107	107	–	92	92
Telecommunications and Internet charges	–	195	195	–	217	217
Inquiry variable costs	85	205	290	95	174	269
Travel, subsistence and hospitality	170	10	180	161	7	168
Staff training	–	160	160	–	123	123
Staff recruitment	–	59	59	–	106	106
Subscriptions	–	153	153	–	122	122
Catering	25	217	242	43	235	278
Audit fees for statutory audit work	–	32	32	–	32	32
Other audit fees	–	26	26	–	23	23
Corporation Tax	–	–	–	–	1	1
Other administration	1	110	111	6	255	261
Non-cash items:			–			–
Devaluation/(revaluation) charge	–	(343)	(343)	–	617	617
Other non-cash items						
Depreciation	–	472	472	–	853	853
Loss on disposal of fixed assets		39	39			
	16,753	9,979	26,732	14,863	11,114	25,977
Income						
Rent and other occupancy charges	–	3,444	3,444	–	3,474	3,474
Secondment income	–	–	–	–	331	331
Other income	–	76	76	–	130	130
Interest receivable	–	3	3	–	4	4
	–	3,523	3,523	–	3,939	3,939
Net expenditure after interest	16,753	6,456	23,209	14,863	7,175	22,038

6. Property, plant and equipment

	2013/14 £'000	2013/14 £'000	2013/14 £'000	2013/14 £'000
	<i>Information technology</i>	<i>Fixtures & fittings</i>	<i>Leasehold costs</i>	<i>Total</i>
Cost:				
At 1 April 2013	3,640	1,243	5,673	10,556
Additions at cost	8	19	–	27
Disposals	(3,247)	(881)	–	(4,128)
Revaluation	–	–	713	713
At 31 March 2014	401	381	6,386	7,168
Depreciation:				
At 1 April 2013	3,394	881	2,654	6,929
Provision for the year	151	85	290	526
Released on disposal	(3,248)	(839)	–	(4,087)
Revaluation	–	–	370	370
At 31 March 2014	297	127	3,314	3,738
Net Book Value:				
At 31 March 2014	104	254	3,072	3,430
At 31 March 2013	246	362	3,019	3,627
Asset Financing				
Owned	104	254	3,072	3,430
Finance leased	–	–	–	–
At 31 March 2014	104	254	3,072	3,430

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

In preparation for the CMA there was extensive building work carried out to Victoria House to accommodate the additional office and meeting room space that the CMA required. These renovations were funded by BIS as part of the transition and have not been added to the value of the leasehold asset.

Notes to the Financial Statements (*continued*)

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

	2012/13 £'000	2012/13 £'000	2012/13 £'000	2012/13 £'000	2012/13 £'000
	<i>Information technology</i>	<i>Fixtures & fittings</i>	<i>Leasehold costs</i>	<i>Assets in course of construction</i>	<i>Total</i>
Cost:					
At 1 April 2012	3,568	1,006	6,833	153	11,560
Additions at cost	47	237	–	–	284
Disposals	(128)	–	–	–	(128)
Transfer to information technology assets	153	–	–	(153)	–
Revaluation	–	–	(1,160)	–	(1,160)
At 31 March 2013	3,640	1,243	5,673	–	10,556
Depreciation:					
At 1 April 2012	3,331	809	2,848	–	6,988
Provision for the year	191	72	349	–	612
Released on disposal	(128)	–	–	–	(128)
Revaluation	–	–	(543)	–	(543)
At 31 March 2013	3,394	881	2,654	–	6,929
Net Book Value:					
At 31 March 2013	246	362	3,019	–	3,627
At 31 March 2012	237	197	3,985	153	4,572
Asset Financing					
Owned	246	362	3,019	–	3,627
Finance leased	–	–	–	–	–
At 31 March 2013	246	362	3,019	–	3,627

The assets in course of construction that were transferred to Information Technology relate to laptops that were purchased in March 2012 to replace the CC's desktop computers. The laptops began to be used by staff in May 2012.

7. Intangible assets

	2013/14 Software licences £'000
Cost:	
At 1 April 2013	1,623
Additions at cost	-
Disposals	(1,415)
At 31 March 2014	208
Amortisation:	
At 1 April 2013	1,465
Provision for the year	28
Disposals	(1,415)
At 31 March 2014	78
Net Book Value:	
At 31 March 2014	130
At 31 March 2013	158
Asset Financing	
Owned	130
At 31 March 2014	130

	2012/13 Software licences £'000
Cost:	
At 1 April 2012	1,623
Additions at cost	-
Disposals	-
At 31 March 2013	1,623
Amortisation:	
At 1 April 2012	1,405
Provision for the year	60
Disposals	-
At 31 March 2013	1,465
Net Book Value:	
At 31 March 2013	158
At 31 March 2012	218
Asset Financing	
Owned	158
At 31 March 2013	158

Notes to the Financial Statements (*continued*)

8. Financial asset

	2013/14 £'000
Cost:	
At 1 April 2013	3,099
Revaluation	(452)
At 31 March 2014	2,647
Depreciation:	
At 1 April 2013	1,472
Provision for the year	155
Revaluation	(237)
At 31 March 2014	1,390
Net Book Value:	
At 31 March 2014	1,257
At 31 March 2013	1,627

The estimated cost of restoring Victoria House to its original state at the end of the CC's lease in 2023 has been capitalised. It was normally 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. The next review will take place in 2014-15 after the asset has been transferred to the CMA and their building works have been completed. For 2013-14 the CC has revalued the asset using appropriate indices for construction repair and maintenance as supplied by the Office for National Statistics.

	2012/13 £'000
Cost:	
At 1 April 2012	3,036
Revaluation	63
At 31 March 2013	3,099
Depreciation:	
At 1 April 2012	1,291
Provision for the year	152
Revaluation	29
At 31 March 2013	1,472
Net Book Value:	
At 31 March 2013	1,627
At 31 March 2012	1,745

9. Financial instruments

As the cash requirements of the CC were met through grant-in-aid paid by BIS, the CC had 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 was therefore exposed to little credit, liquidity or market risk.

10. Trade receivables and other assets

	2013/14 £'000	2012/13 £'000
Amounts falling due within one year		
Trade receivables:		
External	123	6
Intra-Government:		
Competition Service (CAT)	8	7
OSPAR Commission	–	6
Sport England	–	1
Department of Business Innovation and Skills	1,063	–
Low Pay Commission	–	1
Office of Manpower Economics	20	8
Office of Fair Trading	–	–
Legal Services Board	–	4
Groceries Code Adjudicator	1	
Prepayments	214	238
Tenants' rent free period	19	47
Deposits and advances	34	104
	1,482	422

Amounts falling due after more than one year:

	2013/14 £'000	2012/13 £'000
Tenants' rent free period	165	185
Competition Service rent	1,629	1,629
	1,794	1,814

Tenants' rent free period represented a rent-free period granted to tenants. This amount was being amortised over the periods of the respective leases. The total rent-free period debtor at 31 March 2014, including those amounts shown at note 10 above falling due within one year, was £184,000 (2012/13: £232,000).

The Competition Service rent represents the remaining amount receivable over the lifetime of the lease for the rent calculated on a straight-line basis.

Notes to the Financial Statements *(continued)*

11. Cash and cash equivalents

	2013/14 £'000	2012/13 £'000
Balance at 1 April	103	231
Net change in cash and cash equivalent balances	(41)	(128)
Balance at 31 March	62	103

The following balances at 31 March were held at:

Government Banking Service	62	103
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The CC's bank account was an interest-bearing current account with the Government Banking Service.

12. Trade payables and other current liabilities

Amounts falling due within one year:

	2013/14 £'000	2012/13 £'000
Trade payables:		
External	–	454
Department of Business Innovation & Skills	–	3
OFGEM	–	5
Victoria House rent – deferred income	138	138
PAYE, National Insurance & Pension	497	429
Bonus pay accrual	86	250
Holiday pay accrual	309	428
VAT	13	126
Corporation Tax	–	1
Other payables	1,186	654
	2,229	2,488

Amounts falling due after more than one year

	2013/14 £'000	2012/13 £'000
Victoria House rent – deferred income	1,173	1,311
Victoria House rent – operating lease liability	7,698	7,700
	8,871	9,011

The Victoria House rent – deferred income relates to the amortisation of a rent-free period. Under the rules of UITF Abstract 28: Operating Leases, the value of the rent free period was being amortised on a straight-line basis over the 20-year term of the lease.

The Victoria House rent – operating lease charge is the remaining liability for the rental charge over the lifetime of the lease which has been calculated on a straight-line basis.

13. Provisions for liabilities and charges

(a) Provisions for the year ended 31 March 2014 were:

	Capitalised office dilapidations £'000	Total provisions £'000
Balance as at 1 April 2013	3,099	3,099
Provided in the year	(452)	(452)
At 31 March 2014	2,647	2,647
Analysis of expected timing of discounted flows:		
One to five years	-	-
More than five years	2,635	2,635
	2,635	2,635

The capitalised office dilapidations provision relates to the CC's offices at Victoria House. The provision was made to cover the CC's estimated liability to restore Victoria House to its original state at the end of the lease in 2023. This cost has been capitalised. See note 8.

(a) Provisions for the year ended 31 March 2013 were:

	Capitalised office dilapidations £'000	Total provisions £'000
Balance as at 1 April 2012	3,036	3,036
Provided in the year	63	63
At 31 March 2013	3,099	3,099
Analysis of expected timing of discounted flows:		
One to five years	-	-
More than five years	3,099	3,099
	3,099	3,099

Notes to the Financial Statements (*continued*)

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

(b) *Pension provisions for the year ended 31 March 2014 were:*

	<i>Pension liabilities</i> 2012/13 £'000
As at 1 April 2013	2,138
Provided in year	104
Provisions utilised in the year	(140)
As at 31 March 2014	2,102

In accordance with the requirements of IAS 19, the CC has provided for the actuarially assessed liability of the CC's PCSPS by analogy pension scheme (see note 16).

(b) *Pension provisions for the year ended 31 March 2013 were:*

	<i>Pension liabilities</i> 2012/13 £'000
As at 1 April 2012	2,197
Provided in year	96
Provisions utilised in the year	(155)
As at 31 March 2013	2,138

14. Capital commitments

The CC had no capital commitments.

15. Commitments under leases

Operating leases

Commitments under operating leases to pay rentals for the remaining life of the lease following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

	2013/14 £'000	2012/13 £'000
Land and buildings		
Not later than one year	6,352	5,983
Later than one year and not later than five years	25,824	25,407
Later than five years	32,338	39,107

The CC had a 20-year lease for office space in Victoria House, Southampton Row, London WC2. The lease start date was September 2003. The total space was 8,260 square metres, of which 3,065 square metres (37 per cent) had been sublet as at the 31 March 2014 and 5,195 square metres (63 per cent) was the CC's net space. The CC's net operating lease commitment, which transferred to the CMA on the 1st April 2014, was £50,309,000 (2012/13: £54,327,000).

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 the second increase was in September 2013, both were 13.14 per cent.

Notes to the Financial Statements (*continued*)

16. Staff and members' pension costs

Ordinary and panel members of the CC are not pensioned.

Members who are or were Chairmen or Deputy Chairmen were members of the CC's PCSPS by analogy scheme, gaining benefits commensurate with their salary and service. This is a defined benefit scheme and was unfunded and non-contributory except in respect of dependants' benefits and additional employee contributions to the classic and premium schemes. At 31 March 2014 there was one active member and twelve current pensioners. The CC makes no contributions to the scheme. Instead it pays pensions to retired members as they become due. The last actuarial valuation of the liability was as at the 31 March 2013 (£2,138,000) the CC has made an additional provision of £104,000 and pensions were paid amounting to £140,000, the provision in the accounts is £2,102,000. Pensions in payment of retirees (and deferred pensions) increased by 3.1 per cent from 11 April 2012. The CC is satisfied that any obligation it was 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 1.7 per cent a year, is specified for resource accounting purposes by HM Treasury. The following allowances are assumed: increase in salaries 3.95 per cent a year, price inflation 1.7 per cent a year, increase for pensions in payment and deferred pensions 1.7 per cent a year.

During the period ended 31 March 2014 pension payments of £140,000 (2012/13: £155,000) were made to retired Chairmen and Deputy Chairmen.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Competition Commission is unable to identify its share of the underlying assets and liabilities. The actuary valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions)

For 2013-14, employers' contributions of £1,431,000 were payable to the PCSPS (2012-13 £1,344,000) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2013-14 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

CC employees could opt to open a partnership pension account, a stakeholder pension with an employer contribution. CC contributions of £59,388 were paid to one or more of the panel of three appointed stakeholder pension providers. CC contributions were age-related and ranged from 3% to 12.5% of pensionable pay. The CC also matched employee contributions up to 3% of pensionable pay. In addition, CC contributions of £2,939, 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £4,000. There were no contributions prepaid at that date.

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

17. Contingent liabilities & assets

There are no contingent liabilities to report.

18. Related party transactions

The CC was a non-departmental public body (NDPB) sponsored by BIS and funded by a grant-in-aid from that department. BIS was 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 had sublet part of its office premises at Victoria House to the Competition Service (sponsored by BIS), under the same terms as its own lease. It has also sublet office space on shorter terms to the Legal Services Board, Office of Manpower Economics, Low Pay Commission, National Heart Forum, OSPAR Commission, Groceries Code Adjudicator and Consumer Focus.

19. Events after the reporting period

The CC closed on the 1 April 2014 when its functions, assets and liabilities transferred to the CMA.

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

Members' biographies

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

Lesley Ainsworth (appointed in 2013) was a solicitor and had been a partner in international law firm Hogan Lovells for 25 years, specializing in EU and UK competition law. She has practised in London, Brussels and New York and led the competition practice in the firm's London office for many years.

Jayne Almond (appointed in 2005) is currently Executive Chairman of Stonehaven, a specialist equity release mortgage business, and an external Council member and Chair of the Audit and Scrutiny Committee of Oxford University. She was previously Managing Director of Barclays Home Finance business, Group Marketing Director at Lloyds TSB, and Managing Director of Lloyds TSB's European Internet banking business. In her earlier career she worked for Shell, and was a senior partner at LEK Consulting, in charge of its financial service practice.

Laura Carstensen (appointed in 2005 and a Deputy Chairman between 2009-2011) 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 Commissioner of the Equality and Human Rights Commission, a member of Monitor's Cooperation & Competition Panel, a non-executive director of Park Group plc and of MLex Limited and a Trustee of National Museums Liverpool.

Sarah Chambers (appointed in 2013) has been appointed as a Reporting Panel Member and a Specialist Panel Member from 1 April 2013 to 31 March 2018. She is an expert in economic regulation, and in consumer and competition policy. Until 31 January 2013 she was a senior civil servant, most recently at the Departments of Energy & Climate Change, and Business

Innovation & Skills. She was Chief Executive of Postcomm, the postal services regulator, between 2004 and 2008. She holds a number of charity trustee roles and other appointments, including as Panel Member of the Judicial Appointments Commission.

Marisa Cassoni (appointed in 2013) is a chartered accountant and finance professional with more than 40 years of experience. Her early career was initially in audit but she progressed into advisory services including corporate finance, investigations and restructuring across a variety of industries and jurisdictions in the 1980s. She moved into commerce joining the Prudential Group in London in the mid-1980s where she progressed through a series of senior finance roles to the Finance Director of the UK Division. Between 2001 and 2005 she was the Finance Director of the former Post Office subsequently the Royal Mail. She left to join the John Lewis Partnership in 2006 as their Finance Director and retired last year. She has held a number of non executive positions over the last 12 years in the quoted water, waste and environmental services industry, and quoted and mutual arena in financial services in the UK and USA and construction and residential housing association.

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.

Carolyn Dobson (appointed in 2005) is the chairman of Bepak Pension Fund, a trustee of the Vaillant pension scheme and chair of the investment committee, and an independent investment adviser to a number of Local Government Pension Funds. She is also Chairman of Aberdeen Smaller Companies High Income Trust plc, and JP Morgan European Smaller Companies Trust Plc, a non executive director of Brunner Investment Trust plc and Schroder UK Growth plc. She was

Head of the Investment Floor at Abbey Asset Managers, a Director of Murray Johnstone and the fund manager of two award-winning investment trusts.

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.

Richard Farrant (appointed in 2005) is a non-executive director of Daiwa Fund Assets Services and a Chairman of Disciplinary Tribunals of the Institute of Chartered Accountants. Former positions include Chairman of Sustrans, Vice Chairman of United Financial Japan International Limited, Non executive director of Daiwa Capital Markets Europe, Chief Executive of the Securities and Futures Authority, Managing Director and Chief Operating Officer of the Financial Services Authority, Board member of the Gas and Electricity Markets Authority and Council member and Trustee of the National Trust.

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 remains an advisor at Ashurst and has a number of board and advisory roles in the education, sport, social mobility and career development sectors.

Ivar Grey (appointed in 2005) is a self-employed financial adviser. He also works as a non-executive director of Finance Wales PLC, non-executive director of the Cardiff and Vale University Health Board, Trustee 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.

John Harley (appointed in 2013) is a former Senior Partner at Ernst & Young LLP (EY) and up to June 2000, PricewaterhouseCoopers. He retired in February 2011 from EY having been Global Head of Private Equity and previously Global Head of Client Strategy reporting to the Board. Since retiring John has focused on maintaining his interest in Private Equity in his work with Alvarez & Marsal and as Chair of the Kent Investors Network; in Education as Deputy Chair and Audit Committee Chair of the University of Brighton and a member of the HEFCE Audit Committee. He Chairs Trade River Finance, a private company, is a Director of the National Citizen Services Trust, chairing their Audit & Risk Committee, and is Deputy Chairman of the EY Foundation.

Rosalind Hedley-Miller (appointed in 2013) is a Managing Director of Commerzbank AG, where she has responsibility for the M&A Advisory department in London. She has worked at Commerzbank or its predecessor companies for over 30 years, having joined Kleinwort Benson from Schroders in 1979. She has previously been a non-executive director of Bejam Group and of TV-am. She has also been a member of the Industrial Development Advisory Board, an external member of the Finance Committee of the Oxford University Press and a trustee of the Rhodes Trust.

Katherine Holmes (appointed in 2009) was, until her appointment, a partner and head of the competition department at the London office of Reed Smith which merged in 2007 with Richards Butler, her former firm. Before joining Richards Butler in 1989, 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 was for several years the Chairman of the Joint Working Party of the Bars and Law Societies of the UK on Competition Law.

Michael Hutchings (appointed in 2013) is an independent solicitor who advises on competition law and EU law. He was a partner with Lovell White Durrant (now Hogan Lovells) from 1981 until 1996, and managed their Brussels office in the mid-1980s.

Alexander Johnston (appointed in 2005) is an external member of the Cambridge University Finance Committee, chairman of Cambridge University's North West Cambridge

Project and senior adviser to a corporate advisory firm Lilja & Co AG. He was until 2003 a Managing Director at Lazard, London, where he worked in corporate and project finance, mainly in electricity, rail and utility industries, in the UK and in Europe. He has also been Chairman of BMS Associates Limited, a reinsurance broker.

Ian Jones (appointed in 2005) is Director of Croft Consulting Services, an economics consultancy, and of PQCroft, an airport economics consultancy. He advises NHS Southern on competition issues. He was previously a director of NERA Economic Consulting and Head of NERA's European Transport Practice, where he was extensively involved in the privatization of UK airports and railways, and directed major studies of transport markets for the European Commission. He has also worked with the National Institute of Economic and Social Research, the Monopolies and Mergers Commission, London Business School and the Government Economic Service.

Ray King (appointed in 2013) was Chief Executive of Bupa Ltd between 2008 and 2012, having previously served as CFO since 2001. In a decade of major expansion, by 2011 two-thirds of Bupa's £8 billion revenue came from international markets. After studying Chemistry at Queens, Belfast, in 1974 he qualified as a Chartered Accountant with PricewaterhouseCoopers. During the next 25+ years until he joined Bupa, he worked in senior financial and CFO roles in a range of industries including chemicals (ICI), utilities (Southern Water), IT (Parity) and Drinks (Guinness/Diageo). Between 2004 and 2009 he was a non-executive director of Friends Provident plc where he also chaired the Audit Committee. He is currently a member of the Audit and Assurance Council of the Financial Reporting Council and a non-executive director and chairman of the audit committee of Infinis Energy plc.

John Krumins (appointed in 2013) is a Non-Executive Director at IntentHQ Ltd. and an Advisory Board Member with Dock-On Inc. He has over 20 years' experience in mergers & acquisitions and capital raising, in domestic and international markets, having held senior positions with Morgan Stanley, Deutsche Bank and Societe Generale. In his earlier career he worked as a management consultant for Strategic Planning Associates, focusing on the consumer,

services, telecommunication and technology sectors. He holds a Masters degree in Chemical Engineering from Cambridge University and a Masters degree in Business Administration from Harvard Business School.

John Longworth (appointed in 2009) was originally a scientist. He is currently Director General of the British Chambers of Commerce. He was an Executive Main Board Director of Asda Group Ltd and Asda Financial Services Ltd and held senior director positions at Tesco Stores Ltd and the 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, Chairman of its Distributive Trades Panel and Chairman of the Brussels-based CIES International Product Standards and Trade Body. Previously a Health and Safety Commissioner and Chairman of the HSE Audit Committee, John also sat on the original Deregulation Task Force. He recently assisted a leading Healthcare Trust establish a Commercial and Marketing operation and currently has a portfolio career, including Chairman and co founder of a venture-capital-backed science and professional services business, SVA Ltd, as a non-executive director at the Cooperative Food Retail Ltd and as a non-executive director of Nichols PLC. John was until 2013 a trustee of the charity P3.

Jill May (appointed in 2013) has worked as an investment banker for UBS and for SG Warburg & Co Ltd (acquired by UBS Group in 1995) for 23 years and is an experienced mergers and acquisitions professional. At UBS she was Chairman of the UBS women's network, All Bar None UK and was responsible for driving a number of diversity initiatives. She was a trustee of the UBS Pension Fund from 2007 to 2010. She is on the Council of the National Trust, on the Council of Durham University and was Chairman of the 2012 Cancer Research Carol Concert at St Paul's Cathedral. She is also a non-executive director of Langham Industries. In 2013 she became a non-executive of the CMA.

Malcolm Nicholson (appointed 2009) was a partner at Slaughter and May specialising in competition matters for over 25 years until his retirement in 2009. He was a non-executive director at Cambridge University Hospitals NHS Trust from 2010 to 2012, and a director of the Solicitors Regulation Authority from 2009 to 2013. Since 2012 he has been a

member of the Conduct Committee and chair of the Case Management Committee at the Financial Reporting Council.

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. He was Chairman of the London Press Club for six years and is currently a director. He is also currently Chairman of a national newspaper advertising consumer protection scheme (SHOPS), Chairman of a professional association of psychoanalysts (OPUS) and National Secretary of the Western Front Association.

Jeremy Peat (appointed in 2005) is a board member of Scottish Enterprise. He stands down as Director of the Edinburgh-Based David Hume institute in mid April 2014 and from 1st May will be adviser to the University of Strathclyde International Institute for Public Policy. Previously he was a member of the BBC Board of Governors/Trustees (from 2005 to 2010) and Chairman of the BBC Pension Trust (from 2005 to 2011). Prior to this he was Group Chief Economist at The Royal Bank of Scotland from 1993 to 2005. He is a fellow of the Royal Society of Edinburgh, an Honorary Professor at Heriot Watt University, Chair of Trustees of the Royal Zoological Society of Scotland and a board member of the Signet Accreditation Company. He chaired the Local Bus Services market investigation from 2009 to 2011 and was Vice Chair of the Private Health investigation from 2012 to 2014.

Andrew Popham (appointed in 2013) is a Chartered Accountant. From 1987 to 2012 he was a partner in PricewaterhouseCoopers LLP (PwC), most recently as global head of compliance. From 2006 to 2010 he worked in Tokyo and Hong Kong as risk, quality and regulatory leader for PwC's Asia-Pacific region. Before moving to Asia he was Vice President of FEE, the European Federation of Accountants, and a member of the UK Financial Reporting Review Panel. He is a Governor of SOAS, University of London, and an external member of the audit committee of the National Trust.

Gavin Robert (appointed in 2013) is a solicitor with over 20 years' experience in EU/UK competition law, and was a partner for 14 years with international law firm Linklaters (from which he retired as a partner at the end of April 2013).

He remains a part-time consultant with Linklaters and teaches competition law at the University of Cambridge as part of a Masters programme.

Ed Smith (appointed in 2009) is a former senior partner and Global Assurance Chief Operating Officer and Strategy Chairman of PricewaterhouseCoopers. He now enjoys a portfolio of board roles in education, transport, sport, health care, thought leadership and the environment and sustainable development. He is Chairman of WWF-UK, Deputy Chairman of NHS England, and a member of Council and Treasurer of Chatham House. He is also a non-executive director of the Department for Transport.

Bob Spedding (appointed in 2013) graduated with a law degree from Warwick University in 1975 and qualified as a Chartered Accountant in 1978. He retired in 2011 after 25 years as a partner in KPMG where he worked with a wide range of organisations providing audit, transaction and advisory services. His final role at KPMG was as Head of Advisory Risk Management for KPMG Europe LLP. He has been appointed as Council Member and Chair of Audit Committee of the Open University with effect from 1 August 2013, he has been a member of the Audit Committee for The Law Society since 2008 and Chair of The Audit Committee since 2010. He is a non-executive director, Chair of the Audit Committee and Member of the Remuneration Committee for the Coal Authority.

Anthony Stern (appointed in 2005) is a director of InterContinental Hotels UK pension trust and a member of The Pensions Regulator's Determinations Panel. He was Director of Treasury for Bass and InterContinental hotels from 1988 to 2003, where he participated in financing mergers and acquisitions, a number of which involved competition investigations. Prior to this he worked for Dixons, Marks & Spencer and Chase Manhattan Bank. From 2001 to 2002 he was President of the Association of Corporate Treasurers. He has written for the Economist Intelligence Unit on aspects of financial markets.

Jon Stern (appointed in 2013) is an Honorary Visiting Professor and a founder member of the Centre for Competition and Regulatory Policy in the Department of Economics at City University London. He has been a Senior

Advisor at CEPA (Cambridge Economic Policy Associates) and at NERA (National Economic Research Associates). He is an Associate Researcher at EPRG, Cambridge and the LSE CARR Centre. He is currently a member of the ORR academic panel and regularly works as an economist peer reviewer for a range of institutions. He has published many academic papers on infrastructure industries and their regulation.

Tony Stoller CBE (appointed in 2009) was Chief Executive of the Radio Authority until it was subsumed into Ofcom in 2003, where he was then a Director until 2006. He is currently Chair of the Joseph Rowntree Foundation, Chair of the Joseph Rowntree Housing Trust Board, Editor of 'The Friends Quarterly', a trustee of the Sandford St Martin Trust and a doctoral student in the Media School at Bournemouth University studying classical music on UK radio.

Tim Tutton (appointed in 2013) is an economist specializing in economic regulation, especially in the energy sector. He is currently an independent economic consultant and an Adjunct Professor in the Energy Futures Lab at Imperial College. Previously, he has been UK Director of Regulation at National Grid, Director of UK Utility Regulation at PricewaterhouseCoopers and a Senior Adviser at Oxera.

Professor Michael Waterson (appointed in 2005) is Professor of Economics at the University of Warwick. He held previous academic posts at the Universities of Reading and Newcastle and was President of the European Association for Research in Industrial Economics and Chair of the (UK) Network of Industrial Economists. He was also General Editor of the 'Journal of Industrial Economics'. He has published widely in a variety of areas of industrial economics. He has served as Specialist Adviser to Subcommittee B of the European Union Committee of the House of Lords.

Jonathan Whiticar (appointed in 2005) is a director of Maple House Consulting Ltd, a partner in JWA Governance Services LLP, which provides external board evaluation and review. He is a non-executive director of Capital Professional Ltd, a wealth management company trading as Bellpenny, and of Countrywide Principal Services Ltd, the financial services subsidiary of Countrywide plc. He is qualified as a Chartered Accountant in England & Wales and in Ontario, Canada.

Until 2005, he was a Managing Director of The Royal Bank of Scotland plc.

John Wotton (appointed in 2013) practised as a Solicitor with Allen & Overy LLP throughout his career, retiring on 31 December 2012. His practice has embraced many areas of corporate and commercial law, with a principal focus on EU and competition law, public procurement law and media regulation. He served as President of the Law Society of England & Wales in 2011–12 after holding a number of other positions in the Society. He has been a member of Monitor's Co-operation & Competition Panel since it was established.

17. Academic panellists

The CC has an academic panel of economists to act in an advisory capacity to staff. These individuals have been invited to sit on the panel because of their background and experience.

Dr Walter Beckert, Senior Lecturer in Economics at Birkbeck College, University of London, and research associate at the Institute of Fiscal Studies.

Dr Pierre Dubois, Professor of Economics, Toulouse School of Economics, University of Toulouse 1 Capitole. Junior Member of Institut Universitaire de France. Director of DEEQA and coordinator of ENTER (European Network for Training in Economic Research) for the Toulouse School of Economics. CEPR Fellow. IDEI Researcher. Associate Editor of European Economic Review and Annals of Economics and Statistics. Managing Editor of International Journal of Industrial Organization.

Professor Richard Green, Alan and Sabine Howard Professor of Sustainable Energy Business, Imperial College, London.

Professor Paul Klemperer FBA, Edgeworth Professor of Economics at Oxford University.

Dr Lars Nesheim, Reader in the Department of Economics at University College London, and Co-Director of the Centre for Microdata Methods and Practice.

Professor Volker Nocke, Professor of Economics at the University of Mannheim, holding the Chair in Microeconomics. He has published in the leading academic

journals on topics in industrial organisation, competition policy, and international trade. He is Editor of the *Journal of Industrial Economics*.

Dr Philipp Schmidt-Dengler, Professor of Economics at the University of Mannheim.

Professor Howard Smith, Associate Professor in Economics, University of Oxford.

Dr Andrew Sweeting, Associate Professor in the Economics Department at the University of Maryland, and a Research Associate 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.

Professor John Thanassoulis, Professor of Financial Economics, Warwick Business School, University of Warwick; and Oxford-Man Institute, University of Oxford, Associate Member; and Nuffield College, University of Oxford, Associate Member.

Dr Pasquale Schiraldi, Lecturer, Department of Economics, London School of Economics. Research Fellow at the Centre for Economic Policy Research.

Professor Philippe Gagnepain, Professor at Paris School of Economics-Université Paris 1 and a Research Affiliate at the Centre for Economic Policy Research (CEPR). His research field is empirical industrial organisation with special attention to issues related to competition and regulation in the fields of innovation, network industries, and transportation.

18. Senior team

Rachel Merelie, Senior Director, Inquiries. Rachel Merelie joined the CC in 2003 from Cap Gemini Ernst & Young. She previously managed business planning for Ernst & Young, worked as a management consultant, and held a variety of posts in the electricity industry. She has an MBA from HEC in France. At the CC she led a variety of merger and market inquiries. In 2007 she was appointed Senior Director, Inquiries, with overall responsibility for the inquiry teams.

Mark Bethell, Inquiry Director. Mark Bethell joined the CC in 2008. He has practised competition law in private practice in Brussels, and was a case handler at the OFT. He has also acted as one of the UK's agents in litigation before the EC courts, and as an advisory lawyer at Defra. Since joining the CC, he has led several merger inquiries, as well as the CC's consideration of Bristol Water's price determination and the Statutory Audit Services market inquiry.

Douglas Cooper, Inquiry Director. Douglas Cooper joined the CC in 1999 as an economic advisor. He acted as lead economist on many merger and market inquiries. Before joining the CC, Douglas worked at the DTI and at MAFF. He holds a PhD in economics from Nottingham University. He has been Inquiry Director for mergers in book wholesaling, video game retailing and buses, and for the market investigations into railway rolling stock leasing and local bus services. Most recently he directed the CC's work on two telecommunications price control appeals and a price control determination for gas distribution.

Antonia Horrocks, Inquiry Director. Antonia joined the CC in 2012. She was previously a Counsel in the antitrust team at Shearman & Sterling and prior to that worked as a competition lawyer in law firms in the UK and New Zealand. She has advised companies in a variety of sectors on all aspects of EC and UK competition law, with a particular focus on managing global mergers and cartel cases. Since joining the CC she has led a number of merger inquiries.

John Pigott, Inquiry Director. John Pigott joined the CC in 2003 from consultants Stern Stewart where he was a Senior Vice President. He had previously held various positions at Tate & Lyle including senior Treasury, Planning and IT roles. He has an MA in Competition and Regulation Policy from the University of East Anglia, an MBA from London Business School and is a member of the Association of Corporate Treasurers. In recent years, he has directed the CC's work on telecommunications price control appeals and on the Thomas Cook / Co-op merger, and the private healthcare market investigation.

Tim Jarvis, Inquiry Director. Tim joined the CC in 2012. He previously worked at the Greater London Authority, the House of Commons and the National Audit Office having started his

career working in social housing. He has an MSc in Politics and Government from the University of London. Since joining the CC he has led merger inquiries in building products and commercial radio.

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 telecoms, water and manufacturing industries. Since joining the CC she has worked on inquiries related to (amongst other things) transport, food, chemicals, software, the financial sector and construction materials.

Andrew Wright, Inquiry Director. Andrew joined the CC in 2005. In his time at the CC, Andrew has led merger inquiries in many sectors, including broadcast transmission infrastructure and services, live event ticketing, health foods, stilton cheese and mass spectrometry equipment. Andrew has also led a market investigation into movies on pay TV and a pricing review of Stansted Airport. Previously, Andrew was a manager at Deloitte Corporate Finance, having initially trained as a Chartered Accountant with Arthur Andersen. He is currently leading the CC's investigation into Private Motor Insurance.

David Roberts, Chief Financial and Business Adviser and Head of Remedies. David Roberts joined the CC in 2002 from Sainsbury's where his roles included Director of Corporate Finance and Group Treasurer. He previously worked for BP and Deloitte Haskins & Sells Management Consultants. David is a Chartered Accountant and has an MA in economics from Cambridge University. Since joining the CC, he has led advice on remedies and business analysis for a wide variety of mergers and several market inquiries including Store Cards, Home Credit and BAA.

Lucy Beverley, Director of Financial and Business Analysis. Lucy Beverley joined the CC in 2002. She qualified as a Chartered Accountant with Coopers & Lybrand in 1997 and then moved to the firm's management consulting division specialising in telecoms strategy and policy. Prior to joining the CC she was Finance Director of an AIM listed company. Since joining the CC she has completed an MA in Competition and Regulation Policy from the University of East Anglia.

Adam Land, Director of Remedies and Business Analysis.

Adam joined the CC in May 2004 and has worked on numerous merger and market investigations. Before becoming Director of Remedies and Business Analysis in 2007, he worked in the Economics team and acted as Head of Policy Analysis. Adam joined the CC from HM Treasury, where he worked on the Cruickshank Review of banking, the Barker review of housing supply as well as various other aspects of UK and European microeconomic policy. Before that, Adam was at OFT for five years, where he evaluated mergers and competition issues in financial services.

Graeme Reynolds, Director of Remedies and Business Analysis.

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

Daniel Gordon, Chief Economist.

Daniel Gordon joined the Competition Commission in January 2013 from Ofcom where he was director of competition policy. Prior to Ofcom, Daniel was at the OFT, where he first led the Market Studies' programme before becoming Senior Director with responsibility for infrastructure markets. Before that, Daniel was at the Treasury where he headed teams focused on the microeconomics of private and public sector productivity. Daniel worked as an economic adviser at the Monopolies and Mergers Commission (the predecessor to the CC) between 1994 and 1999.

Kate Collyer, Director of Economic Analysis. Kate Collyer rejoined the CC in September 2012 from the Cooperation and Competition Panel (CCP), where she was Director of Economics and Deputy Director. At the CCP Kate led a large number of merger and competition investigations in the NHS and her research on hospital choice and merger simulation has been published in the Economic Journal. Before joining the CCP, Kate was an economist at the CC where she provided economic advice on a wide range of inquiries in many different

sectors. Kate has also worked as an economic consultant advising on antitrust and merger investigations in a range of sectors in the UK, Europe and USA.

Robin Finer, Director of Economic Analysis. Robin Finer joined the CC in 2007 and has worked on a number of inquiries across a range of sectors. Previously, he was a Director in the Markets and Projects area of the Office of Fair Trading (OFT), where he led market studies and Competition Act 1998 investigations. Prior to this he worked as an economist on a wide range of OFT merger and antitrust investigations across many sectors, including a spell in the Chief Economist's team. He has also worked in the Directorate General for Competition of the European Commission in Brussels.

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, Tom's competition and regulatory work mainly focused on the transport and energy industries.

Roland Green, Chief Legal Adviser. Roland Green joined the CC in 2010. He previously advised a series of government departments, in particular on areas of commercial law and regulation, including energy, competition, communications and trade law, including the reform of EU and UK competition and communications law from 2000 to 2006. He has also advised on a variety of public inquiries, public law and human rights issues. He joined the Government Legal Service from Linklaters in 1986.

Carole Begent, Deputy Chief Legal Adviser and Head of International. Carole Begent joined the CC in 2000. After several years as a solicitor in private practice specialising in corporate, commercial and regulatory law, she moved to OFWAT and subsequently ORR. She has been involved in managing change in consequence of changes to the competition (notably Enterprise Act and Competition Act) or regulatory regimes and most recently led the CC's contribution to the review of the UK merger regime. As well as leading the CC's international policy work, she has acted for the CC on mergers and market investigation and litigation, including BAA, Ryanair and SRCL.

Morven Hadden, Legal Director. Morven Hadden joined the CC in 2007. She was previously a senior associate in the EU, Competition & Regulatory department of City Law firm Simmons & Simmons in EU and competition law. Morven has worked at the DTI and at BIS as a competition policy and legal adviser on the media merger provisions and on proposals for reform of the UK competition law landscape. Morven has advised the CC on merger, market and regulatory inquiries as well as acting for the CC in litigation and has been involved in developing the CC's procedural guidance.

Simon Jones, Legal Director. Simon Jones joined the CC from the Treasury Solicitor's Department in 2001. Since then, he has advised the Commission on numerous merger, market and regulatory inquiries. He has acted for the Commission in litigation in the High Court, Court of Appeal and Competition Appeal Tribunal.

Rebecca Lawrence, Director of Corporate Services. Rebecca Lawrence joined the CC in 2005. She was formerly the Operations Director at the Rent Service (a DWP 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 in public sector finance (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.

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