

# News story: Defence Minister launches new Army apprentice awards

As the largest provider of apprentices in the UK, the Ministry of Defence is celebrating the tenth National Apprenticeship Week by honouring its apprentices right across the country and across the services.

To kick start the week, the British Army announced they will host their first ever Apprenticeship Awards in 2018.

Announcing the awards at Gibraltar Barracks in Camberley, Defence Minister Mark Lancaster introduced some of the highest performing soldier apprentices who have recently qualified in their field, including Margate-born Lance Corporal Tristan Willis, who is pursuing a career in the infantry.

Defence Minister Mark Lancaster said:

As the UK's largest apprenticeship provider, we are delivering a huge range of training and skills right across defence, and it's great to see the likes of Tristan taking advantage of that. I'm sure the awards launched today will motivate more like him to excel in their field and help the military to continue leading the way for British apprenticeships.

24 year-old Army apprentice Lance Corporal Tristan Willis of the 1st Battalion, Mercian Regiment said:

I came into the Army to gain some qualifications. So far I've done my level 1 and 2 in both Maths and English, have also gained a Public Services Apprenticeship and I'm currently enrolled to do an Engineering apprenticeship, despite not having any experience with cars or anything like that.

Defence Minister Mark Lancaster introduced some of the highest performing soldier apprentices. Crown copyright.

The RAF Apprenticeship Awards, now in its sixth year, will also take place today at RAF Honington. The annual event is a chance for the RAF to promote and celebrate the achievements of their valued apprentice mechanics, technicians and engineers.

Elsewhere, in London this week, the Navy will be celebrating their apprentices on-board the Type 23 frigate HMS St Albans which is docked alongside Thames Quay at West India Dock this week.

Two apprentices from each service, along with one of the MOD's many civilian

apprentices, will be attending an exclusive lunch reception at the House of Commons on Thursday in an event aimed at recognising the esteem in which apprenticeships are held.

Together with industry, the MOD is working to achieve three million apprenticeship starts by 2020 as part of the Government's manifesto.

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## **Press release: Wilton flood defence scheme to be shown at public drop-in event**

The Environment Agency is holding a public consultation in Wilton, near Salisbury, to explain how it plans to reduce flood risk to local homes and businesses.

The Environment Agency is keen for local people to share their views on its proposals and any experiences they have of flooding.

The consultation will take place on 10 March 2017 from 3pm to 7pm, at:

The Cricket Pavilion  
Recreational Ground  
Wilton

Mark Goldingay of the Environment Agency said:

This event is an ideal opportunity for people to learn about the Environment Agency's latest plans for Wilton. Environment Agency officers will be on hand to explain the proposals and the steps people can take to prepare themselves against flooding. We'd like to hear the views of local residents and look forward to sharing ideas on how best to reduce flood risk in Wilton.

Wilton's existing flood defences protect some areas in the centre of the town. There are 30 properties currently at risk of flooding from the nearby River Wylye. In large flood events, flood water can bypass the defences and flow across the recreational ground towards the Castle Lane area. Properties in Crow Lane are also at risk.

The proposed solution is to build a raised flood embankment around the edge of the recreational ground, joining the existing flood defences beside Wiley Terrace. The height of the flood bank will be approximately 0.5m above

existing levels with shallow side slopes. An access ramp would be provided over the embankment. A flood wall is also being proposed to protect properties in Crow Lane.

The proposed scheme would help protect the 30 properties in the centre of Wilton currently at high risk of flooding.

The Environment Agency aims to secure funding and obtain planning permission for a suitable scheme by the autumn of 2017. It will then draw up a detailed design and carry out further public consultation before starting construction in early 2018. If all goes well, the new scheme should be completed by the summer of 2018.

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## [News story: National Apprenticeship Week 2017 – as it happens](#)

### **Monday, 6 March**

National Apprenticeship Week launched today with Secretary of State for Education, Rt Hon Justine Greening MP addressing an audience of almost 100 apprentices and employers attending at Barclays at Canary Wharf.

Two inspirational apprentices from Barclays gave an account of their apprenticeship journey, alongside Lucy Wilkins – a 10 year on case study from Somerset County Council and Chris Achiampong from IBM (and star of the Get In Go Far campaign).

National Apprenticeship Week 2017 launch event at Barclays HQ, Canary Wharf, London.

There was also a BBC You're Hired event at BBC Broadcasting House to discuss apprenticeships in the creative industries and what needs to be done to create more opportunities. Hosted by BBC News' Reeta Chakrabarti, guest speakers highlighted how important apprenticeships are for business and how, certainly in the creative industries, they need to be made more inclusive to attract candidates of all backgrounds.

BBC You're Hired event

Royal Mail is supporting the week with a special postmark, which will be applied to millions of items of UK stamped mail nationwide. The postmark will appear on stamped mail between Monday 6 and Friday 10 March.

Our hashtag #NAW2017 was also trending on Twitter today.

## Get involved

Full details of the events happening across England can be found on the [events map](#).

Events and activities for the week will be shared on [Twitter](#) and [LinkedIn](#) over the week, and event images will also be made available on [Flickr](#).

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# Looming Brexit bill defeat in the House of Lords highlights importance of 'Dublin Case'



# Green Party

7 March 2017

**Keith Taylor MEP: 'The ability to revoke Article 50 means that no option is off the table, including the option to remain in the EU if MPs, and the people they represent, believe the exit deal is not in Britain's best interests.'**

Keith Taylor, Green MEP for the South East, is highlighting the importance of the so-called 'Dublin Case' as the Government looks set for [another Brexit bill defeat](#) by the House of Lords today on giving Parliament a meaningful vote on the terms of leaving the European Union.

The amendment likely to be passed by the Lords rejects Theresa May's plan to present MPs with a Hobson's choice: accept the Government's exit deal or crash out of the European Union without any deal. Instead, cross-party Lords are demanding MPs be given the ability to reject whatever deal Number 10 strikes with Brussels without the UK having to leave with no deal at all; a 'meaningful vote'.

The so-called '[Dublin case](#)' seeks legal clarity over the question of whether, once triggered, the UK can [unilaterally revoke Article 50](#). Mr Taylor is one of three Green politicians acting as a plaintiff in the case. Other plaintiffs include Green Party England and Wales Co-leader Jonathan Bartley, Green Party Northern Ireland Leader and [recently re-elected](#) MLA Steven Agnew

and Director of the Good Law Project Jolyon Maugham QC.

Keith said:

“Today’s looming defeat of the government by the House of Lords is entirely sensible and welcome. And it begs the same question that the Dublin Case seeks an answer to: can the UK unilaterally revoke Article 50 once it’s been triggered?”

“Without an answer to the question, it is difficult to see how our sovereign Parliament can be given any hope of a meaningful vote. The ability to revoke Article 50 means that no option is off the table, including the option to remain in the EU if MPs, and the people they represent, believe the exit deal is not in Britain’s best interests.”

“As Greens, we are clear on the need for a ratification referendum at the end of the two-year negotiation process. The EU referendum should have been the start of a democratic process, not the end. The [people must have the final say](#) on the deal negotiated on their behalf.”

“If ‘taking back control’ is to mean anything, it should mean we have a right to think again and change our minds when we see what Brexit really means as opposed to what we were told it meant during the referendum.”

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## [Speech: What has competition ever done for us?](#)

### **Who cares about competition?**

I’m going to start on a downbeat note – always a great way to energise the audience! I’m going to tell you about a setback for the CMA – the Competition and Markets Authority, the organisation where I work – which caused a great deal of heartache for us. It happened about a year and a half ago, when we were undertaking the criminal prosecution of 3 individuals for being directly involved in a cartel between their companies, competing manufacturers, to fix the prices at which they sold their products, rather than competing on price.

There is no doubt that there was a cartel. And some criminality was clearly involved – 1 defendant of the 3 we had charged pleaded guilty. But the other 2 elected for a jury trial – and (here’s the setback) the jury found them not

guilty.

Of course the CMA accepts the verdict. Nevertheless, this outcome – the jury's acquittal of 2 of the 3 defendants we had charged – was felt as a serious setback for my colleagues at the CMA, who were shocked and disappointed after having put in so much work into investigating this cartel, gathering and analysing the evidence, and preparing the prosecution. There is no suggestion that my colleagues were in any way remiss; on the contrary, the trial judge praised the CMA's handling of procedural aspects of the case, in stark contrast to the previous criminal cartel prosecution, 5 years earlier, which had collapsed because of procedural errors.

As I say, there was certainly a cartel in operation – an agreement between competitors to fix prices, rather than compete against each other to undercut each other and offer customers lower prices. The companies involved admitted as much. Last December, in an investigation we launched against the companies (rather than individuals), using our 'civil' rather than our criminal law powers, all 4 companies involved in the cartel admitted their infringement, and fines totalling £2.7 million were paid (albeit that these fines were reduced as a 'discount' to reward them for early admission of their infringement). And in the criminal case – to repeat: one of the defendants pleaded guilty.

So, given that there was clearly a price-fixing cartel – subsequently admitted by all 4 companies involved – and that 1 of the 3 defendants pleaded guilty to the criminal cartel offence, why did the jury acquit the 2 defendants who had pleaded not guilty?

In the nature of things, it's impossible to know for sure. In prosecuting the case, the CMA had to deal with the technical legal point that, under the criminal law for the cartel offence, for cartels that took place before April 2014 (as this one did), to secure a conviction the prosecution needed to prove not only that the individuals were involved in a cartel, but also that in doing so they acted 'dishonestly'. The defendants who pleaded not guilty based their defence on the argument that they had not met this criterion – ie, that they had not acted 'dishonestly'. A change in the law since then means that, for cartels since April 2014, it will no longer be necessary to prove 'dishonesty' to establish that the criminal cartel offence has been committed.

But I have a suspicion that this legal point is not the only factor at play. I fear that it may be that, quite often, juries who are asked to consider cartel cases don't immediately grasp what is at stake – by which I don't mean to criticise their decision-making, but rather to suggest that, for the ordinary men and women who make up juries, it's quite hard to grasp the harm that cartels – anti-competitive agreements – cause. There is such harm, it is serious harm, and those who participate in cartels typically know that. But it's sometimes harder to persuade a jury of the harm caused by cartels and anti-competitive agreements than in the case of, say, shoplifting. That of course makes it incumbent on us as prosecutors to explain all the more why cartels matter.

This worries me. I don't think people get it. I don't think they really feel the importance – the social and moral importance – of combating anti-competitive practices. I'm not sure they really 'get' why public authorities like the CMA should spend time, energy and taxpayers' money on taking enforcement action to stamp out anti-competitive practices and, more generally, on taking action to protect and promote competition. I might be wrong, but I think that most people see competition (to the extent that they think about it at all) as a technical and somewhat abstruse aspect of commercial law. They wonder, in a manner akin to the characters in Monty Python's 'Life of Brian', "What has competition ever done for us?".

It worries me, not just because that means they don't see the importance of the job I'm paid to do (which is a rather deflating thought) – but because protecting and promoting competition is important. And I think it's also important that people should realise that it's important.

Here's why.

## **This is what competition has done for us**

Practices that frustrate competition cause real harm to the public. People talk about 'victimless' breaches of the law. But anti-competitive practices, mergers that substantially lessen competition, markets which have features that adversely affect competition – the things that my organisation the CMA is required by law to tackle, and is funded by the taxpayer to tackle – are not victimless. Weakening competition harms the public. It is seriously bad for our society. It is not at all victimless.

Conversely, protecting and promoting competition is of significant benefit to the public.

My colleagues in the world of competition law – not just at the CMA, but in other public authorities charged with enforcing competition law in Britain and in numerous countries around the world, as well as competition lawyers, competition economists, competition academics – will, I fear, be shocked and embarrassed by what I'm about to say. Not because they'll disagree with it, but because they'll regard it as a 'statement of the bleeding obvious', not worth wasting a speech on. But that's just the perspective of competition specialists – and we're a peculiar bunch. Beyond our specialism, I'm not at all sure that the benefits of competition are obvious to everyone in our society – not to our juries, not to our media, not to our opinion formers, not to the general public, not to many of the politicians whom the public elect.

And so I think it's important to spell this out. Competition is not some technical, abstruse area of law. It is fundamental to the public good – and particularly to ordinary people. And, for your Institute which is dedicated to improving customer service, competition is of absolutely critical importance.

Let's start with a really basic point. Businesses make money. They are in business in order to make money. That's not a criticism; it's a fact. Of

course they are.

Competition harnesses that desire of businesses to make money, and directs it to the public good. And that's why competition is so valuable.

If you're in business and you face competition, the way you make money is to push your prices down to the lowest level that is consistent with a reasonable profit or rate of return – that is, the lowest price consistent with making it worthwhile to be in business at all, to invest your capital, to take some risks, to work damn hard, to have a lot of worry (rather than just using your capital to buy gold ingots and then lying on the beach all day).

Where there is competition, if you as a business don't keep your prices down, you won't make money because you will lose customers to your competitors who will undercut you. So you keep your prices down. And where there is competition, you won't compromise on quality either. If you supply shoddy goods, or shoddy service, you won't make money because customers will go to your competitors. So competition gives businesses the incentive to keep prices down, and to keep quality and service standards up, all to the benefit of consumers.

But if there is no competition, or only weak competition, why bother? If as a business you don't face strong competition, you can make money by pushing prices up, and you won't risk losing customers. You can cut corners on product quality and service standards.

So it is vigorous competition that gives business the incentive not to push prices up, and not to cut corners on quality and service standards.

But the way competition works is even better than that. It's not just a matter of stopping businesses from raising their prices or compromising on quality and service standards. Competition gives businesses reasons to improve – to get better and better – in all these respects, to the benefit of consumers. It's dynamic. Because businesses, wanting to make money, and facing vigorous competition, don't just want to avoid losing customers to their competitors; they want to make money by winning new customers from their competitors. So it's not just that they won't raise prices. They'll try to be more efficient so that they can reduce their prices, undercut their competitors, and win customers from their competitors. It's not just that they won't compromise on quality; they'll invest to improve quality and service standards; they'll innovate.

And where there's vigorous competition, of course every one of those competitors will want to do the same – to win over customers by improving price, quality and service standards for their customers, each one leapfrogging the other in these respects, provided they make a reasonable return that makes it worthwhile to stay in business rather than lie on the beach. All to the benefit of consumers.

So, in respect of every product and every service where there's vigorous competition, businesses have the incentive to become more efficient to keep



prices low, to improve quality and service, to innovate. Think about any product where there's been vigorous competition – cars, say, or TVs. Over the years, they've become cheaper in real terms (in the number of hours people have to work to be able to afford the product), they've become sturdier, they've got more features, they've become more attractive, they've got safer. All to the benefit of consumers. And all thanks to competition.

In fact, if we think about it, most of us have seen the effect of competition arriving, over the past 30 to 40 years, in industries which were previously monopolistic, a process sometimes called 'liberalisation'. Take air travel, for example, which used to be the preserve of the privileged few, in a world of generally national monopoly airlines, known as 'flag carriers' – Air France, Alitalia, Swissair and so on. The markets were opened to competition, with low-cost airlines such as easyJet and Ryanair, and more recently WizzAir, being allowed to enter the market and offering a fresh competitive challenge, in which prices not just on those airlines but across the industry have been lowered, and flying off on holiday is now taken for granted by the ordinary consumer.

So increased competition between airlines has led to greater affordability, for the benefit of millions of ordinary consumers.

Let me take another example, which happens to be in a related sector – airports – although the way it worked was different. In 2009, the Competition Commission, one of our 2 predecessor bodies, ordered the introduction of competition between London's 3 major airports, by ordering Heathrow's owner, BAA, to relinquish ownership of Gatwick and Stansted. It also ordered BAA to relinquish ownership of either Edinburgh or Glasgow airport, so as to introduce more competition between Scottish airports. The break-up of BAA was completed in 2013. Last year, in May 2016, we published a formal detailed [evaluation](#) of the effects of this introduction of competition between airports which had previously been under the same ownership and therefore had not been competing against each other. One of the effects was on service quality. As our report noted:

Service quality to passengers and airlines has improved markedly at Gatwick, the first airport that was sold. At the airports more recently under new ownership, improvements are expected at Stansted and Edinburgh as the investment in new terminal facilities now under way and new operational initiatives are fully embedded.

Most strikingly, facing new competitors improved competition at Heathrow, which remained under BAA's ownership, but faced new competition from Gatwick and Stansted, now under separate ownership. Our report found that:

Service quality at Heathrow, which also adopted new commercial strategies ... has reached a historic high. In 2015 passengers scored Heathrow's overall service quality above the average of the highest scoring European airports. This is a marked improvement from

service scores achieved by Heathrow in 2008 when the airport ranked 97th out of 127 airports surveyed.

So increased competition among airports has led to better service quality, enjoyed by millions of passengers.

By contrast, where competition is weaker or less vigorous, there is no such incentive for businesses to bother. If a business doesn't face vigorous competition, it can make money without having to cut prices, to win customers from its competitors, because it's not really worried about its competitors; rather, a business, facing weak or no competition, can make money by raising prices. By being shoddy on product quality and sloppy on service. And who loses out? Consumers. Millions of ordinary people. You and I. And especially the people who can least afford higher prices, or poor service.

Businesses lose out too, if there's weak competition. Businesses are customers of inputs to the products and services they supply. If those become more expensive, or of poorer quality because of insufficient competition among their upstream suppliers, those businesses as customers suffer.

And there's another effect on businesses. I've talked about how competition gives the incentive for businesses to become more efficient, so that they can put downward pressure on price to make money by attracting customers from their competitors. Without the pressure of vigorous competition, businesses become less efficient. And that's important for the economy as a whole, and for our society. Inefficient businesses won't flourish and grow, so jobs aren't created. Inefficiency means we don't make the best use of our resources; we are wasteful. That's bad for the economic well-being of all of us – for our prosperity as a society. For our overall economic growth, our ability to generate jobs and well-being, and to fund public services – and indeed, if we're inefficient and wasteful of resources, for our environment.

Conversely, where there is vigorous competition, it acts as a spur to efficiency – and so contributes to improved productivity and to our overall economic well-being.

And so the public – ordinary people, consumers, businesses, especially the hard-pressed who can least afford higher prices – win out when there is vigorous competition, and lose out when there isn't.

Practices that weaken competition are bad for consumers, bad for ordinary people, bad for the public. Two hundred and fifty years ago the great economist Adam Smith put it very pithily. He described collusion between businesses, as opposed to vigorous competition between businesses, "a conspiracy against the public" (1 – see footnote at the end). Much more recently, a similar idea was expressed by David Lewis, who was the first head of the Competition Tribunal in post-apartheid South Africa. His book describing his experiences of enforcing the country's competition laws took as its title 'Thieves at the dinner table'. This referred to a cartel he had to deal with which had had the effect of raising the price of bread in South Africa, so putting bread at the dinner table beyond the reach of millions of

poorer South Africans. 'Thieves at the dinner table' is a fairly dramatic, but I think not an inaccurate, way of characterising anti-competitive practices. It makes graphically clear how weakening competition is bad – seriously harmful – for consumers, for millions of ordinary people, including for the least well-off in our society.

## **Competition and regulation**

When I was first invited to speak at this conference, it was suggested to me that I should speak about how regulation helps customer service. I think it was assumed that the CMA is a regulator. I'm not criticising that – many people make that assumption.

But we are not a regulator, but a competition and consumer agency – unlike, say, Ofwat which regulates the water companies, or Ofgem the energy regulator, or the ORR the rail regulator. As I pointed out to the organisers – politely, I hope – the job of the CMA is not to regulate businesses, but to ensure that they are left to compete as vigorously as possible in any way they see fit, and to ensure that competition between them isn't significantly restricted or weakened.

Let me say what I understand as the difference between competition and regulation. This is a bit of a simplification, but I don't think it's misleading.

Competition, as we've discussed, creates incentives for businesses to keep prices low, and service and quality high, as that's the only way those businesses will retain and win customers from their competitors. Regulation works differently, and in some ways more directly. Price regulation involves the regulator specifying a maximum price, a price cap, which the regulated business can't exceed. As for service standards, regulators typically set out conditions in the regulated businesses' licences which include minimum service standards that the regulated businesses are obliged to adhere to.

After the financial crash nearly 10 years ago, it became quite commonplace to say that the problem was caused by too much competition, and too little regulation, in financial services, harming consumers and damaging – seriously damaging – the economy as a whole. And in some quarters that morphed into the proposition that, not just in financial services but generally, there's been too much competition and too little regulation.

I'd like to challenge that idea. Direct regulation – a public authority setting compulsory maximum prices and compulsory minimum service standards – is necessary in some circumstances. This is chiefly where there is no scope for competition – principally, where there are 'natural monopolies', which is typical for utility networks. It is very often economically wasteful, and sometimes environmentally wasteful, to duplicate gas pipelines or water reservoirs and pipes or electricity networks or broadband wire networks. So these are natural monopolies, where it's not thought beneficial to have competition between the networks. Because there can't be competition, and because there is a risk therefore that the businesses concerned, not worrying about losing customers to their competitors (because there aren't any), would

keep prices too high, and would compromise on service standards and quality, direct regulation steps in to mandate price caps and minimum service and quality standards. That's why direct regulation of price and service standards has been a feature of the privatised utilities or at least their natural monopoly elements, such as gas networks or water infrastructure.

But regulation is a proxy, and usually a poor substitute, for competition. That's not a criticism of regulation – it's necessary to protect consumers when they can't be protected by competition – but it's seldom better than competition if competition is available (eg if there is no 'natural monopoly').

A public authority applying direct regulation will do its best, when setting price caps, to guess the most efficient price, the price you'd get naturally if there were competition rather than natural monopoly. Over the years, regulators have become more sophisticated about doing this. But it can only ever be a rough guess – it's impossible actually to know what efficiency and what downward pressures on price would result from real competition. This is not in any way a criticism of regulators; on the contrary, I think they do their job incredibly impressively. But it is merely to point out the inherent difficulty, the impossibility really, of attempting to second-guess the efficiencies and the price pressures that competition, if it were available, would generate naturally.

Likewise with service standards set in regulators' licences and other obligations applied to regulated businesses. Yes, you can require, by the legally binding determination of a regulator, specified minimum service standards. But no public authority, however sophisticated, can replicate the upward pressure on service and quality standards, and the innovation, that competition – where it is available – can generate.

I don't mean to suggest that direct regulatory intervention is only appropriate for natural monopoly utility networks. There are other circumstances where, for one reason or another, natural competition alone can't generate good consumer outcomes – circumstances sometimes described as 'market failures' – where the incentives in vigorous competition are not sufficient to guarantee, for example, consumer safety, or informed choice, or necessary health or environmental protections. In those circumstances, more direct regulatory intervention may be necessary. At the CMA we have ourselves, for example in our market investigations, proposed such direct interventions to address market failures. But where there is no such necessity, the best protection offered to consumers, the strongest pressures to improve price, quality and service standards – to give consumers value for money – come from competition.

There is a further aspect to this. What if customers aren't satisfied with the standard of service, or the value for money? In the absence of competition – in regulated sectors like the privatised utilities, for example, or public transport – the customer can complain, with ultimate recourse to the regulator. If you make a complaint, it helps if you're well-educated and articulate, if you're patient and, let's face it, if you've got quite a lot of time on your hands. But for millions of ordinary consumers –

hard-pressed, rushing around between work and taking kids to school and queuing at the shops and trying to make ends meet, it's not always practicable to go through a complaints process, and most people can't afford to engage expensive advocates to do it on their behalf. But where there's competition, and if it's vigorous and not weakened, if you don't like a product or service, or if you think it's too expensive, you don't have to employ expensive lawyers, and you don't have to have the time or skill to write eloquent emails to the regulator, or the patience to stay on the line listening to the automated music of the company's customer service call centre. If you don't like the service or the quality or the price, and there's sufficient competition, you can just vote with your feet and take your custom to a competitor. And the fear that you'll do that creates pressures for all the competitors for that product or service to keep prices down, and service standards up.

None of this should be read as a criticism of regulators. The UK's sector regulators – Ofcom, Ofgem, Ofwat, ORR and so on – apply direct regulation where that's necessary. But where there's scope to do so in their industries, the regulators have been seeking to promote competition and to clamp down on anti-competitive practices. The CMA works with the sector regulators in this endeavour through a new forum, up and running since 2014, called the UK Competition Network. My first job at the CMA involved working with the sector regulators on this – promoting and protecting competition where possible in the regulated sectors – and I'm proud of work we did, and continue to do.

## **In practice: how the CMA's competition work benefits consumers**

So our role at the CMA is primarily to promote and protect competition for the benefit of consumers, not to regulate.

### **Merger control**

We do that in our merger control work, intervening to prevent mergers, acquisitions and takeovers that would substantially lessen competition.

### **Market studies and market investigations**

We do it with our market studies and market investigations, taking steps to remedy features of markets that have adverse effects on competition. Sometimes our remedies will involve an element of intervention where we feel this is necessary – in our energy market investigation, on which we reported last summer, we proposed a transitional price cap for consumers using prepayment meters for their gas and electricity, typically the poorer consumers, who find it hard to take advantage of the competitive choice (and therefore to gain the benefits of price competition) available to those who don't use prepayment meters – this price cap will remain in place until the introduction of smart meters removes the limitations on such consumers accessing better deals. But for those consumers not on prepayment meters – the majority of energy users in this country – who can take advantage of choice, we took measures to enhance real competition so as to benefit

consumers – making it easier for consumers to shop around between competing suppliers, and so increasing the competitive pressure on all suppliers, for example by giving competitors access to consumer databases, and enhancing the role of brokers to ‘shop around’ on behalf of consumers.

So too with our market investigation into the retail banks, on which we reported last August, where we have sought to harness new technology to increase the vigour of competition, so benefiting consumers – specifically our ‘open banking’ proposal for an app through which banks are to be required to allow their customers to share their own bank data securely with competing banks.

For these key services for consumers – energy and high street banking – the outputs of our major market investigations were aimed at making it easier to shop around, to make competition more vigorous, to increase downward pressure on price and upward pressure on service quality. In short, more competition delivering better value for money for consumers.

## **Consumer protection law enforcement**

The CMA also has powers, along with other authorities, to enforce consumer protection laws. We do this [“particularly to tackle practices and market conditions that make it difficult for consumers to exercise choice”](#). For example, the online reviews of products and services that, as consumers, we increasingly use to choose what’s best value are an invaluable tool in exercising consumer choice. Moreover, by keeping consumers well-informed about what’s best value, online reviews intensify pressures on suppliers, sharpening the incentives to offer lower prices and better quality. But that only works if consumers can rely on them; if not, the value – for choice, for competition, for consumers – is lost. So over the past couple of years we at the CMA have used our consumer protection powers to put an end to practices we have identified where online reviews have been misleading, for instance through the publication online of positive reviews that were fake, or the suppression of reviews that were negative or critical.

## **Why it matters if people don’t ‘get it’**

But, as I say, I very much fear that many people, and that includes opinion formers who shape our public debate and our policymaking, don’t sufficiently appreciate – or if they do, don’t convey – the importance of protecting and promoting competition.

An example, it seems to me, is the way the media report high-profile takeovers. More often than not, when a big takeover or merger is announced, commentators will pop up on the radio to talk about its likely effects in terms of job losses – very rarely about the likely loss of competition. Job losses matter – enormously – and can affect hundreds, or perhaps thousands, of people working in the particular companies concerned, and in ancillary businesses. But if the takeover results in a substantial loss of competition, millions more ordinary people lose out – as prices rise, and quality and service – value for money – deteriorate. That’s millions of ordinary, hard-

pressed consumers. We ought, in our public discourse, to take the competition implications of a major takeover at least as seriously as the consequences for jobs. But all too often we don't. The danger of this is that, if our media and opinion formers don't see the value of competition, and if the mass of people don't get it either – that is, the voters who elect our political leaders and the taxpayers who fund our competition authorities and courts – we'll end up with policies and laws and outcomes where competition is not promoted and protected, and where we as a society lose all the huge benefits that competition brings.

## **Demonstrating the value of competition**

Faced with this situation – that competition is hugely important to the well-being of millions of people, to businesses, to our economy, but that this is barely acknowledged or recognised in our public debates and our policymaking – what can we do? What should public authorities like the CMA do about it?

### **Focusing on products and services that matter to ordinary people**

One thing we can do is to tackle limitations on competition in respect of products that matter to ordinary people. We did that with our market investigation into energy supplies. Also with our market investigation into banking services supplied to individual customers – holders of personal current accounts – and to small businesses. Not just individual consumers, but hard-pressed people who set up and run their own small businesses, suffer real harm when energy prices are unnecessarily high because of insufficient competitive pressures, or when their banking costs are high, or when they have to waste time dealing with poor customer service. The measures proposed in our market investigations, to facilitate more vigorous competition in these markets, should lead to real and lasting long-term improvement.

Let me talk about my own portfolio: tackling illegal anti-competitive agreements and practices, for which I've had responsibility since mid-2015. Last year, 2016, we levied £142 million of fines on companies we found to have engaged in illegal anti-competitive agreements and practices, up from £1.1 million in the previous year. To emphasise personal responsibility, late last year, for the first time ever, we used our powers to secure director disqualification for an individual director of a company which was party to an illegal anti-competitive agreement or practice. Also in 2016 we secured a criminal conviction in an ongoing criminal cartel investigation.

In tackling illegal anti-competitive agreements and practices, we have dealt with products and services that matter to ordinary consumers.

- Estate agents' fees.
- A case where, when people were looking to buy posters online on Amazon Marketplace, it turned out that 2 of the competitors, instead of competing fully on price, had agreed not to undercut each other.
- Competition in funfairs.

Our 2 biggest fines last year were in 2 separate cases, but both of them related to anti-competitive practices in medicines supplied by pharmaceutical

companies to the NHS – an anti-epilepsy drug and an anti-depressant. The people who lost out from the anti-competitive practices were not just the users of those particular medicines. If the NHS unnecessarily pays too much for medicines because of anti-competitive practices, there's less money to go round for other treatments. So all of us, as users of the NHS, lose out. And when the NHS faces unnecessarily higher charges, all of us who fund the NHS through our taxes – that is, millions of ordinary taxpayers – face tax bills that are higher than they need be because of anti-competitive practices. We all gain from taking enforcement action against anti-competitive agreements and practices.

And at the CMA we're committed to continue tackling anti-competitive agreements or practices in products and services that matter to ordinary consumers. We have just issued a 'statement of objections' alleging illegal restrictions on price discounting in online sales of light fittings for people's homes. And we are looking at other anti-competitive practices in pharmaceutical products supplied to the NHS. We'll continue to do this.

## **Other products and services**

But not all our investigations are so easily characterised as being about products that matter to ordinary consumers. I've been a bit coy about that price-fixing cartel I told you about at the beginning, where 1 individual pleaded guilty to a criminal cartel, 2 opted for a jury trial and were acquitted by the jury, and all 4 companies in the price-fixing cartel admitted their infringement and paid substantial fines. That is, I've been coy about telling you what the case was all about. You'll understand why when I tell you the product. [Galvanised steel water tanks](#). Not very sexy. You can laugh – but, although it's not obvious, effective competition in the product is important for ordinary people. In fact it's very important. Galvanised steel water tanks are used for water storage in large commercial buildings and in public buildings such as schools and hospitals and other commercial and public buildings, and they supply the water used in fire sprinkler systems. In other words, they are an important input for business and for the public sector. If businesses face higher costs on their buildings, those costs eventually feed through to the end-consumer. And higher costs eat into businesses' profitability, and so endanger jobs. When it's public buildings, that's a cost borne by all of us as taxpayers. So, even for a product as apparently recherché as galvanised steel water tanks, competition matters, and tackling restrictions on competition matters. It really matters to the well-being of millions of ordinary people.

The same is true of other products where we've tackled anti-competitive agreements or practices in the past year.

- We fined a company for limiting discounting in the supply of commercial refrigeration used by the catering industry – restaurants, cafés, sandwich shops, canteens in factories, offices, hospitals and schools. So, again, it's a price borne by millions of ordinary consumers and taxpayers.
- At the more glamorous end of the spectrum, we fined a number of fashion model agencies for co-ordination of pricing, weakening competition



between them. Yes, maybe that product is sexy – at least a bit more so than galvanised steel water tanks. But the point is that the costs of restricting competition in fashion modelling are passed on to the clothes manufacturers or retailers, and eventually to the price of clothes in the shops. Ultimately it's ordinary members of the public, millions of consumers who shop for clothes, who bear the cost of such anti-competitive practices.

So while we will do cases that have obvious consumer relevance – about energy bills, about high street banks, about care homes for the elderly and frail (subject of a market study which we launched last autumn), about medicines for the NHS, posters sold on Amazon Marketplace, funfairs – we'll also consider other products, which are less obvious in their relevance to ordinary consumers, but nonetheless ultimately important. We're a serious public authority, funded by the taxpayer, and dedicated to the public good. Yes of course it is helpful from time to time if we do things that make headlines – and have public impact, impact that has the benefit of getting our message across and, we hope, deterring companies from anti-competitive practices. But we won't only do what's headline grabbing. We'll do what's important for the good of consumers, and the economic well-being of all of us in society.

That work won't always be headline-grabbing or 'sexy'. But when that's the case, it's all the more incumbent on us to explain why it's important – more vigorous competition for better customer service, for the benefit of millions of people in our country. And we will explain, and we'll do so better.

## **Some conclusions**

So, to sum up. It seems to me that a number of themes emerge from what I've just described.

First, competition creates strong incentives for business to deliver real value for consumers: where there's vigorous competition, if a business wants to prosper, it needs to attract and retain customers by keeping prices down and quality and service standards up. Competition thus brings huge benefits for consumers – for millions of ordinary consumers, and particularly those who can least afford overpriced goods and services, and for business customers too.

Second, competition is good for the wider economy and society. Competitive pressures force businesses to be more efficient, to keep prices down, and to innovate, to keep quality and service up. Greater efficiency and innovation are good for productivity, and so for overall economic performance. In this way, vigorous competition enhances the well-being of us all.

Third, many people said after the financial crash of 2008 that we need less competition and more regulation. But, where competition is feasible, in general it is better able to deliver these benefits for consumers (and for the wider economy). Regulators can require prices to go down, by way of price caps, and can insist on minimum quality and service standards, for example through licence conditions. But a public authority imposing these by fiat is

only a proxy for the benign effects of competition in providing incentives for businesses to want to keep prices down and quality and service up. Such direct regulation is necessary in circumstances where competition is not able to achieve them, for instance because of natural monopoly (as in utility networks) or market failure. Other than in these exceptional circumstances, however, it is a poor substitute for competition. This is now recognised in legislation, where sector regulators like Ofwat and Ofgem etc are required to consider whether the use of their competition law powers is more appropriate before taking enforcement action under their sector-specific regulatory powers.

Fourth, because competition plainly brings these benefits to millions of consumers and to our overall economic well-being, it is imperative to tackle practices that limit or weaken competition: cartels and anti-competitive agreements and conduct, features of markets that have adverse effects on competition, mergers, acquisitions and takeovers that substantially lessen competition. We at the CMA have responsibility for doing this.

Fifth, and very regrettably, these huge benefits of competition are, I fear, not widely understood in public debate. This matters because if voters and media commentators and opinion-formers don't get it – and if juries don't get it – we'll end up with outcomes that fail to deliver the huge benefits that competition can bring, benefits for millions of ordinary people.

Sixth, it's therefore important that we make clear those benefits of competition, and not just by making speeches! At the CMA we can do this to some extent by focusing on protecting and enhancing competition in relation to products and services that matter most to ordinary consumers – energy, high-street banking, care homes, medicines supplied to the NHS, posters sold on Amazon, funfairs. But we also need to tackle things that ultimately matter, but are not so obviously relevant to the ordinary consumer: galvanised steel water tanks, for instance. And when we do this, we have a particular obligation to explain why this matters.

Your mission, at the Institute of Customer Service, is centred on ensuring “excellent customer service”. Our duty at the CMA, laid down by Act of Parliament, is “to promote competition ... for the benefit of consumers”. Clearly these objectives are quite closely aligned. For the sake of consumers across the country – of millions of ordinary people, and particularly the most hard-pressed – you and we have the same interest in promoting and protecting competition. We need to explain it, to say why it matters, to shout it out loud. We at the CMA are determined do it. I hope you'll play your part too.

1. Adam Smith (1776), *The Wealth of Nations*, book 1, chapter 10.