Has Globalisation left the European Commission behind?

Geographical market definition for merger appraisal

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Has Globalisation left the European Commission behind? Geographical market definition for merger appraisal

Amelia Fletcher, Professor of Competition Economics  
Bruce Lyons, Professor of Economics

Industrialists can sometimes be heard complaining that they are unable to complete efficient acquisitions because the European Commission fails to take globalisation into account when it investigates proposed mergers. In their view, relevant geographic markets can be drawn too narrowly by the Commission, and this mistake is then compounded by its failure to give sufficient weight to competitive pressures from outside the narrow geographic market.

The European Commission (DG Competition) asked us to provide an independent assessment of whether its assessment was, indeed, on the wrong track. We were asked to review ten major mergers in which this had been particularly contentious. We were given access to both published and confidential background papers/submissions so we could review its geographic market definition (GMD), and subsequent analysis of competitive pressure from outside the market. Market definition has both product and geographic dimensions. Both are important, but to maintain a clear focus our research took product market definition as given. This short article is based on our findings.

What are the underlying principles of GMD?  
Legal precedent suggests the Commission needs to identify an area where the “conditions of competition are sufficiently homogeneous” and distinguishable from neighbouring areas. The standard economic test fleshes this out by considering a geographically proximate group of firms and asks whether it would be profitable for them to collectively raise prices or if this would lead to too many customers switching their purchases outside the area. If the latter, then the GMD needs widening and the same question can be asked again until a collective price rise across the area is found to be profitable. Such switching by consumers is known as demand-side substitution.

In theory, GMD could also take into account “supply substitution”. This occurs where customers would not themselves seek suppliers outside a particular area, but where suppliers from outside that area could readily supply into that area. A key question for our study is whether supply substitution is best dealt with by widening the geographic market to include the location of these alternative suppliers, or by retaining a narrower market definition and allowing for such supply substitution within the competitive merger assessment.

Why does geographic market definition (GMD) matter for merger assessment?  
Most competition authorities follow a two-stage process for merger assessment. They first define the relevant markets in which the operations of merging firms overlap, and second assess how competition works in those markets and how the proposed merger would likely affect this. Competitive constraints from outside the market can also be considered at this second stage.
GMD thus has two main functions. First, it frames the competitive assessment by identifying which firms provide the most immediate competitive constraint on merging parties. Second, it is a prerequisite for calculating market shares and concentration indices, which provide the classic statistical screen for potential competitive harm.

What was our research methodology?
The Commission selected ten cases for us to review. This provided an admittedly biased sample. Nine involved remedies (either at Phase I or Phase II), and in eight the parties argued for wider geographic market definition than the Commission in fact adopted. Perhaps unsurprisingly, given the adverse findings in these selected cases, the Commission also rejected arguments relating to constraints from outside the geographic market within its competitive assessment in the majority of the cases.

The deliberate element of bias was to focus on contentious cases which might better reveal any weaknesses in the Commission’s practice. In order to gain a more rounded view, we also considered – within these ten cases – a number of markets in which no merger concerns were found. In some of these unproblematic markets, we found examples where the Commission did accept arguments for wider geographic markets or alternatively accepted that constraints from outside the geographic market were sufficient to eliminate any merger concerns.

In each case, we reviewed practice against the Commission’s own market definition guidelines and from the perspective of how best to frame an assessment of economic effects.

What did we find?

A) The positives
• We found no evidence that the Commission’s approach to geographical market definition is leading to poor merger decisions. We did not attempt to reach our own overall assessment of the various cases reviewed, but concluded that the Commission’s GMD has broadly set an appropriate framework within which to analyse mergers. Where geographic markets are drawn relatively narrowly, the Commission typically gives careful consideration to evidence of constraints from outside the market within the competitive assessment.

• We did not find that the Commission should take a more flexible approach to supply substitution in market definition. There will always be caveats around the weight that can be placed on market shares as an indicator of competitive harm. However, we argue that market shares within geographic markets that are defined on the basis of current suppliers are likely to be more meaningful than shares within geographic markets which are widened on the basis of supply substitution by imports.

"We found no evidence that the Commission’s approach to geographical market definition is leading to poor merger decisions"
B) Misperceptions

1. The Commission could usefully provide greater clarity that market definition provides a useful framework for competitive analysis, but is not an end in itself

GMD should not be seen as an end in itself, but rather as providing a useful framework for the competitive analysis of the merger. It should be used to identify a geographically coherent group of customers whose purchases are competed for by suppliers located in the same geographic area (and possibly also by suppliers located at a greater distance).

Where market definition is relatively clear-cut and can be drawn to include those competitors, and only those competitors, that genuinely impose a significant competitive constraint on one another, then market shares and concentration indicators can be useful indicators of the likely competitive effects of a merger. This is especially likely to be the case in homogeneous goods markets.

We would be concerned, however, if the Commission’s decision on a particular geographic market definition automatically determined a particular competitive assessment. The Commission does appear to recognise this intermediate and non-decisive role of market definition. Nevertheless, parties still put substantial effort into arguing for wider geographic markets. This suggests that there is at least a perception that market shares are disproportionately important in the competitive assessment, irrespective of the wider competitive context.

2. The Commission could usefully provide greater clarity that supply substitution by imports will not typically be accepted as an argument for widening the relevant geographic market

Under the Commission’s Notice on market definition, supply substitution should be used to widen geographic markets only where most suppliers are active across geographical areas and are able to switch production across them in the short term without incurring significant additional costs or risks (in response to small, permanent changes in relative prices). This is consistent with the US and UK merger guidelines.

A more flexible approach to supply substitution, which allows for wider geographic markets on the basis of imports, would include within it sales to foreign customers located in the same region as where the foreign suppliers are located, even though the conditions of competition facing those customers may be very different. This could in turn result in market shares which provide a misleading indicator of true competitive conditions within the core area affected by the merger. In such circumstances, it is preferable to adopt a narrower GMD whilst giving fully appropriate weight to imports as a competitive constraint.

Nevertheless, imports are used to argue for a wider market by the parties in several of the mergers reviewed. While the Commission does not accept this evidence, the decisions devote considerable space to assessing this point. Greater clarity about its approach would allow the Commission to more easily reassign the arguments and evidence received in this area and to discuss them alongside other relevant evidence in the competitive assessment.

We also made a number of specific recommendations for improved practice, but we have no space to discuss them in this article (e.g. in relation to vertical integration). More detail can be found in our report which is available on the Commission website.

1: Acknowledgement: This article is based on a study by the authors prepared for the European Commission “Geographic Market Definition in European Commission Merger Control”, published at http://ec.europa.eu/competition/publications/reports/study_gmd.pdf (copyright European Union). Responsibility for adaptations lies with the authors.
3: ECJ judgment of 13 February 1979 in Case 85 /76, Hoffmann-La Roche [1979] ECR 461. In practice, this is implemented by looking at indicators such as the geographic pattern of purchases.
Do cartels convicted by a competition authority display an age profile?

**Detection v Deterrence**

Prishnee Armoogum, PhD Student in Economics

Finding an effective way of assessing the performance of a competition authority is an issue that has been widely debated by academics and practitioners in recent times. Although several methods of evaluation exist, the issue that still remains unresolved is how the assessment could be done systematically. Competition authorities are commonly evaluated based on their ability to detect competition cases, but it is well known that detection also involves deterrence which is very difficult to measure, as there is typically no information that is directly available on it. By extending the concept of ‘count activity’ over time, recent CCP research has looked into how information on the age profile of a number of cartels – that have been successfully prosecuted (convicted) by a competition authority – has a functional form that combines efficiency in detection and success in deterrence. The results from the empirical study confirm that competition authorities do display an age profile in the convicted cartel cases, which can be interpreted in terms of both detection efficiency and deterrence.

In recent decades, researchers, policy makers and international organisations – for instance the Organisation for Economic Cooperation and Development (OECD), International Competition Network (ICN) and United Nations Conference on Trade and Development (UNCTAD) – have all emphasised the importance of finding an effective method of evaluating the operations and performance of competition authorities. The role of competition authorities consists mainly of creating a healthy competitive market by detecting and deterring any type of anti-competitive conduct, such as cartels, abuses of dominant positions and anti-competitive mergers.

Although several methods have been identified, the debate continues on how to formulate a method to assess authorities systematically. Common methodologies include: the evaluation of individual decisions, the measurement of deterrence (which is normally estimated through surveys), peer reviews (which often involve the examination of one competition authority’s performance by another competition authority), and the *Competition Policy Index* developed by Bucicrossi et al (2009). The ‘count of activities’ remains the most common and easiest method at the disposal of policy makers. It quite simply involves counting the output of the competition authority. The rationale behind this method is...
that a greater number of cases implies better performance by the competition authority. This has, however, been subject to criticism. Kovacic et al (2011) argue that counting the number of initiated cases (a frequently used proxy) does not necessarily mean that the authority is doing a good job, as competition policy also involves deterrence of anti-competitive behaviour. A competition authority that is successfully deterring cartels is likely to have fewer cases to investigate in the future. This consequently raises obvious doubts about evaluation methods that are based solely on counts of cases convicted. These doubts aside, it is still questionable how one can assess the level of deterrence given that it is unobservable. It is impossible to observe the number of cartels deterred if they have not materialised into cartels in the first place [Buccirossi et al (2009)].

**How will the competition authority be able to assess the outcome of its competition enforcement on cartels effectively, taking into account both detection and deterrence, which are closely linked?**

A competition authority that is efficient in detecting cartels is also likely to be effective in deterring cartels. One could extend the concept of count activity over time and observe the trend in the number of convicted cartel cases over time (age profile). The information provided by the age profile can then be interpreted in terms of the efficiency of the competition authority’s detection as well as its success in deterrence.

As a competition authority gains experience over time, it is expected to become more efficient in detecting and convicting cartels, thus increasing the number of convicted cartels over time. Convicted cartels are then punished by imposing fines and/or through imprisonment of managers, which may consequently have a deterrent effect on cartels. Deterrence can occur either when cartelists decrease their prices (i.e. composite-based deterrence, a situation where the cartel is not deterred from forming, but chooses to change its behaviour – typically, by reducing price – so as to avoid being caught), or when they discontinue their cartelised behaviour (i.e. frequency-based deterrence, when a cartel is deterred from forming), which happens if the probability that they are convicted and the level of punishment are high enough to make the cartel unprofitable.

Given the inter-relation between detection and deterrence, the trend in the number of cartel cases convicted or the shape of the age profile of convicted cartels is therefore likely to depend on the magnitude and interaction of both. When the detection efficiency is greater than the deterrence effect, the number of convicted cartels will increase over time, causing the age profile to be upward sloping. On the other hand, if the deterrence effect outweighs the detection effects, the competition authority will convict fewer cartel cases, thereby causing the age profile to be downward sloping.

What materialises from this mechanism is that competition authorities can be expected to have a turning point in their age profile of convicted cartels. The number of convicted cartels initially increases because the effect of the detection efficiency outweighs that of deterrence, but after some point, this reverses and the number of convicted cartels decreases. This is explained by the increasing effect of detection on deterrence.

In a recent empirical study, I assess the level of detection and deterrence (Armoogum 2016). I looked at the age profile
of cartel cases convicted using a panel of 34 countries over 9 years (2006-2014). The results suggest that performance improves with the more experience the competition authority has had in applying competition law. This is displayed through a cubic age profile. This is evidence of increasing deterrence arising from the increased efficiency of detection. However, it should be stressed that this interpretation indicates that competition authorities are successful in deterring cartels, although the number of cases eventually declines and flattens, as displayed in Figure 1. Under the count activity, a fall in the output of the competition authority would have indicated a fall in its performance, while here the decrease and flattening in the convicted cartels after some time reaching a peak shows that competition are successful in their deterrence policies.

**Figure 1: Simulation of age profile**

Moreover, even when faced with a budget constraint, it is found that competition authorities also display the same age profile with slight changes in the age coefficients, which confirms the robustness of the results. This reinforces the importance of the level of budget in determining the level of convicted cartels (output) of a competition authority. Interestingly, the actual convicted cartels tend to be the results of previously allocated budget rather than current period budget. As expected, leniency policy and, very importantly, the level of punishments (fines and imprisonment) are found to help competition authorities to detect and deter cartels.

Other factors, such as the type of institutional design or the type of law adopted by a country, are also found to influence the age profile of convicted cartels. While countries with a common law background convict fewer cartels than those with civil law, competition authorities that have a prosecutorial approach (where competition authorities go to court or a specialised tribunal for enforcement) tend to convict more cartels than those that have an integrated agency (a commission within the agency that makes first-level decisions).

Surprisingly, the number of notified mergers is found to stimulate the number of convicted cartels. One explanation for this relationship may be the fact that mergers occurring in a particular industry might give an indication to the competition authority about industries that should be investigated.

There is therefore evidence that competition authorities do display an age profile for convicted cartels, which can be interpreted in terms of both detection and deterrence efficiency. The policy implication of this study is that policy makers are now in a better position to assess and monitor their performance in terms of efficiency in detection and deterrence, simply by using the age profile of cartel cases convicted and a theory which I put forward as benchmark. Although, this method does not actually measure the deterrence effect, it does give an indication of whether a competition authority has been successful in its deterrence policy.

References:
This article is based on Armoogum K (2016) Assessing the comparative performance of competition authorities. Forthcoming doctoral thesis, University of East Anglia, UK.
2: Examples are the number of cartel and/or monopoly cases launched or closed, and the number of mergers blocked, remedied or cleared.
traditionally, economics has contributed far more to competition policy than to the related area of consumer protection policy. However, this is changing, with recent research considering topics such as high-pressure sales tactics, the mis-use of commissions, and refund rights.1

One major area of consumer protection policy that has received relatively little attention from economists involves the regulation of false adverts, where firms make incorrect or exaggerated claims about their products. In the US, most federal-level regulation is conducted by the FTC which punishes false advertisers with various public measures, including possible monetary penalties. In Europe, countries typically make more use of industry self-regulation. For instance, in the UK, most regulation is conducted by the industry-led Advertising Standards Authority which is endorsed by several governmental bodies.

Among many recent high-profile cases, Dannon paid $21 million to 39 US states after it misled consumers about the health benefits of its Activia yogurt products. Within the UK, successful cases in early-2016 have already involved Virgin Media, Sky UK, National Express Group, and Stanley Black and Decker. Finally, in a related example, Volkswagen is facing potential multi-billion dollar global penalties after cheating tests in order to make false claims about its emission levels.2

Some economics of false advertising
To help assist policy in this important area, we develop a theoretical model of false advertising in our recent CCP working paper.3 The model is able to explain how false advertising can actively influence rational buyers, and how regulatory penalties for false advertising affect market outcomes and welfare. We show that tougher penalties reduce the occurrence of false adverts, but also increase their credibility amongst consumers. As a result of the latter effect, we show a controversial, yet robust, result: stronger penalties can sometimes reduce buyer and social welfare. In some circumstances, this suggests that policymakers should optimally use a relatively low penalty to permit a positive level of false advertising.

In more detail, our simplest model considers a monopolist with a product of either ‘high’ or ‘low’ quality. The firm sets its price and advertises a claim about its product quality. Consumers cannot evaluate the quality of the good or the validity of the firm’s claim. However, after consumers make their purchase decisions, a regulator can penalise the firm if it falsely advertised a claim of high quality when in fact its product quality was low. The regulator’s penalty can be thought of as an (expected) monetary fine. More broadly, it can also be interpreted as an associated administrative cost, or some unmodelled damage to the firm’s reputation.

We then examine the firm’s incentives to engage in false advertising. When the penalty is sufficiently large, the firm advertises truthfully and so consumers perfectly learn the quality of the product. When the penalty is sufficiently small, the firm always uses false advertising whenever it has low quality; as a result, consumers ignore all advertised claims. Finally though, when the penalty is intermediate, a novel result emerges. We find that when the monopolist has high quality it advertises truthfully, but when the monopolist has low quality

Despite numerous policy cases of firms using exaggerated product claims, economics still has a limited understanding of false advertising. A recent CCP working paper aims to fill this gap and better assist policymakers.
it randomises between: i) advertising truthfully with a relatively low price, and ii) mimicking a high quality firm by using a false advert with a relatively high price. Hence, after observing a high claim, consumers optimally increase their demand despite knowing that the claim may be false. The model therefore shows how false advertising can actively influence consumers even when they are fully rational.

The effects of policy on welfare

We then consider how the regulator’s penalty affects consumer welfare. A reduction in the penalty increases the use of false advertising, and this generates two opposing effects. The first ‘persuasion’ effect harms consumers. The increase in false advertising prompts consumers to buy too many units of a low quality product at an inflated price. However, a second ‘price’ effect can help consumers. The increase in false advertising damages the credibility of high advertised claims, and so lowers consumers’ associated demand. This counteracts some of the firm’s market power and prompts it to set lower prices. In many cases, the persuasion effect is stronger such that consumer surplus is maximised by using high penalties to eliminate false advertising. However, there are also other cases where the price effect is relatively stronger. Here, consumer surplus is maximised with softer penalties that induce a positive level of false advertising.

The increase in false advertising prompts consumers to buy too many units of a low quality product at an inflated price

Qualitatively similar results are also found for the effects on total welfare. Here, in most cases, society finds it best to eliminate false advertising. However, like consumer surplus, there are some cases where it is better to use a weaker penalty to allow a positive level of false advertising. Intuitively, in these cases, false advertising can raise total welfare by prompting a net increase in average output.

Additional effects under product investment

The above model assumes that the firm’s product quality is fixed. But what happens if the firm has some choice over the quality of its product? To answer this question, we consider an extended model where the monopolist can undertake some costly investment to obtain a higher quality product. Compared to the model with fixed quality, we find that all parties prefer a weakly higher regulatory penalty due to an additional ‘investment’ effect. Intuitively, false advertising damages the credibility of high advertised claims, and lowers consumers’ subsequent quality expectations. This limits the returns from owning a high quality product and weakens the firm’s investment incentives. As a result, it may be optimal to have a higher penalty to induce more investment. However, cases remain where the beneficial price effects from false advertising are sufficiently strong to ensure that consumers and society are best off with a level of false advertising that is strictly positive.

Conclusions and policy implications

Our findings show that it is not always optimal for policymakers to use large penalties to eliminate false advertising. Instead, there are cases where consumers and society would be better off with weaker penalties that induce positive levels of false advertising. When compared to other policy approaches, we also show that the careful use of advertising penalties is weakly superior to a blanket ban on false adverts, or an outright prohibition of low quality products.

When should policymakers use weaker penalties? The paper gives a guide to which markets a policymaker should prioritise with higher penalties, and which markets it should regulate less. We find that consumers and society are most likely to benefit from weaker penalties (and so the existence of some false advertising) when a market is otherwise performing well. In particular, an increase in false advertising is more likely to raise consumer surplus and total welfare when the monopolist’s average product quality is high. In such cases, the effect of false advertising in countering market power is especially strong. In contrast, policymakers should always eliminate false advertising with stronger penalties when the monopolist’s average quality is low. For instance, in markets where the low quality product is particularly damaging or unsafe, policy should always use heavy penalties to ensure truthful advertising.

Finally, what about self-regulation? Our results offer some partial support for Europe’s reliance on self-regulation. Surprisingly, if an industry body could choose its own penalty to maximise average profits, it would prefer to use a strong penalty to eradicate false advertising. This arises because strong regulation enhances the ability of a firm with high quality to collect profits. Hence, under (effective) self-regulation, the industry’s choice of penalty would coincide with that which is preferred by consumers and society in many, but not all, circumstances.

References:
Accommodating ‘public interest’ considerations in merger control

David Reader
Research Associate

A new CCP study estimates that 88% of countries with merger control continue to incorporate some form of public interest criteria, despite the global rise of a competition-based approach to merger assessment. In practice, these countries have adopted numerous different approaches to accommodating the public interest, which raises a number of intriguing questions regarding (i) the feasibility of harmonising cross-border merger procedure, and (ii) the role that the public interest is perceived to play in modern-day merger control.

The use of public interest criteria in merger assessments remains a contentious issue in academic, policy and practitioner circles. Many commentators have cited numerous pitfalls associated with basing merger analysis on public interest grounds – such as employment or media plurality – rather than on rigorous competition-based criteria. A frequent criticism is that the use of public interest criteria can fuel legal uncertainty by impinging on the consistency and predictability of decisions and, moreover, compromising the transparency of the assessment procedure. In addition, the domestically-tailored nature of public interest criteria can create procedural difficulties for cross-border mergers, which may be subject to several public interest tests in multiple territories.

Consequently, international antitrust organisations, such as the International Competition Network (ICN), have sought to use harmonisation initiatives to encourage countries to limit the role they afford to public interest criteria in their domestic merger regimes. There is evidence to suggest that these initiatives have succeeded in facilitating tangible convergence towards using ‘competition’ as a primary assessment criterion.

However, a recent CCP study of 75 domestic merger regimes estimates that 88% of countries retain some form of public interest criteria within their merger control laws. This dispels the misconception that public interest considerations exist only on the periphery of international merger control.

In seeking to identify the prevailing trends for accommodating the public interest in merger control, the study examines two key design choices that each of the 75 states are faced with: (i) how each country has framed public interest criteria within its merger control laws, and (ii) who each country appoints as the ‘public interest decision-maker’ to rule on these criteria.

Framing public interest criteria in merger laws

Broadly speaking, there are six different options available to domestic states when it comes to framing the public interest within merger control legislation. These include four core options: (1) affording zero scope to the public interest, (2) considering the public interest as part of the substantive test, (3) reserving public interest ‘exceptions’ to the substantive test, and (4) enforcing sector-specific public interest policies that run parallel to merger control. States may also adopt mixed-options, of which there are two possibilities: a combination of Options 2 and 4, and a combination of Options 3 and 4. Each of these options has the potential to afford varying levels of influence to public interest considerations, as Figure 1 illustrates.

As is to be expected in light of the convergence towards a competition-based approach to merger assessment, the vast majority of states (81.3%) have chosen to frame their public interest criteria narrowly (i.e. as an ‘exception’
or under sector-specific policy) or avoid considering it altogether. This suggests that states are generally mindful of the benefits associated with scrutinising mergers according to competition criteria, and public interest considerations will only become relevant in limited circumstances involving certain types of merger. Figure 2 offers a stark depiction of the preference for framing the public interest narrowly and, in turn, the relative reluctance of states to adopt broader public interest tests.

Appointing a ‘public interest decision-maker’
Among the 75 states sampled in the study, three main types of decision-maker have been appointed to rule on the public interest component of mergers in their jurisdiction: (1) national competition authorities (NCAs), (2) politicians, and (3) sector regulators. Once again, some states have chosen to adopt ‘dual’ decision-makers, where two of the above mentioned institutions share the decision-making role.

Figure 1. Ordinal scale of options for framing public interest criteria in merger legislation, ranked according to the potential influence they afford to the public interest in merger assessments.

Figure 2. Frequency distribution of countries adopting each option for framing the public interest in merger legislation.
Interestingly, NCAs and politicians have proved equally popular choices when appointing public interest decision-makers: just under two-thirds of countries have chosen to appoint one or the other as a standalone decision-maker, as is shown in Figure 3. One possible inference to derive from this is that countries have a split opinion on whether to prioritise: (a) the expertise of NCAs, who are arguably best-placed to identify any potential trade-offs between competition and the public interest, or (b) the constitutional legitimacy of politicians, who – as elected representatives – are usually tasked with making decisions on matters of significant ‘public interest’.

The prospects of future harmonisation

In total, there are 21 possible approaches that countries can take when accommodating public interest criteria, which relate to both (i) framing the public interest in legislation, and (ii) appointing a public interest decision-maker. Of these 21 approaches, 15 have been implemented in practice. This wide variety of approaches signals a lack of harmonisation regarding the perceived ‘best’ method of accommodating the public interest in merger control. This may suggest that a change of tact is necessary before further harmonisation can take place in this area of merger control, with regard to both substantive assessment criteria and institutional arrangements.

The study presents some signs that international merger control is facing a barricade with regard to convergence towards a pure competition-based approach to merger assessment. This is consistent with the views of Frédéric Jenny, the Chairman of the OECD Competition Committee, who suggests that developing countries have relied on public interest criteria to make merger control ‘more friendly to growth and development’, 4 which may render the public interest a ‘necessary evil’ within states that would otherwise decide against adopting competition laws. 5 Indeed, although the CCP study finds that economic development is not fully representative of how countries accommodate public interest criteria in practice, developing countries were found to be twice as likely to assign an extensive role to the public interest within their merger laws.

Recently, the issue of applying public interest criteria in merger assessments has become a key discussion point on the agendas of several international antitrust organisations, including the ICN, the OECD and BRICS. 6 If these communities believe that countries who attach an extensive role to the public interest pose a significant obstacle to effective cross-border merger control, these communities should — when drafting ‘International Best Practice Guidelines’ — be mindful of the importance that developing countries attribute to development goals. To be effective, such guidelines may need to reflect a compromise between a strict competition-based assessment regime and one that considers public interest criteria routinely.

The study presents some signs that international merger control is facing a barricade with regard to convergence towards a pure competition-based approach to merger assessment.
Day 1 Thursday 9 June

10:00 – 10:30 Registration

10:30 – 10:40 Introduction & Welcome by Amelia Fletcher & Andreas Stephan

Session 1: Setting the Scene - The View from the Regulators
10:40 – 12:40 The UK financial regulators have new responsibilities in respect of competition. In this session, the scene will be set by some of those most closely involved in policy making and regulation in this area.

Mary Starks Financial Conduct Authority
Paul Fisher Prudential Regulation Authority
Hannah Nixon Payment Systems Regulator

12:40 – 13:40 Lunch

Session 2: Behavioural Economics and Competition in Financial Markets
13:40 – 15:40 The authorities are increasingly employing empirical techniques derived from behavioural economics to understand financial services markets better and to improve remedy design. In this session, we hear more about the regulators’ work in this area, as well as an academic perspective.

Stefan Hunt Financial Conduct Authority
Alasdair Smith Competition and Markets Authority
Bruce Lyons School of Economics, University of East Anglia

15:40 – 16:00 Break

Session 3: Competition and Banking Stability
16:00 – 18:00 There is a well-recognised tension in banking between competition and stability, and much discussion about whether banks can be “too big to fail”. This session will look at this issue from three angles: political science, law and economics.

Scott James Department of Political Economy, King’s College London
Albert Foer American Antitrust Institute
Xavier Vives IESE Business School

18:15 Guided Walk
An optional guided tour from the conference venue to the evening meal venue taking in some of Norwich’s most historic buildings.

19:00 Conference Dinner at The Assembly House
## Day 2 Friday 10 June

### Session 4: Hot Topics in Financial Markets 1

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<tr>
<th>Time</th>
<th>Event</th>
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<tr>
<td>09:00 – 10:20</td>
<td>This session dives into a couple of hot topics in financial market: high frequency trading and internal culture within banks.</td>
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<td><strong>Alasdair Brown</strong> School of Economics, University of East Anglia</td>
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<td><strong>John Thanassoulis</strong> Warwick Business School</td>
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### Break 10:20 – 10:50

### Session 5: A Legal Perspective on Competition in Financial Markets

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<td>10:50 – 12:50</td>
<td>There is a growing understanding of, and focus on, antitrust law in financial markets, but how is this playing out and how does it interact with financial services law?</td>
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<td><strong>Richard Whish, QC (Hon)</strong> Emeritus Professor of Law at King’s College London</td>
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<td><strong>David Little</strong> Cleary, Gottlieb, Steen &amp; Hamilton LLP</td>
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<td><strong>Andreas Stephan</strong> UEA Law School</td>
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### Lunch 12:50 – 13:50

### Session 6: Hot Topics in Financial Markets 2

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<tr>
<td>13:50 – 15:10</td>
<td>This session addresses further hot topics in financial markets, the use of big data in insurance markets and the role of regulation in mortgage markets.</td>
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<td><strong>Lee Callaghan</strong> Aviva</td>
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<td><strong>Maarten Pieter Schinkel</strong> Faculty of Economics &amp; Business, University of Amsterdam</td>
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### Break 15:10 – 15:30

### Session 7: Panel Discussion – Competition, Ethics & Culture

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<tr>
<td>15:30 – 16:30</td>
<td>A panel of experts address the thorny question: How is competition in financial services markets helped, or hindered, by a heightened focus on ethics and culture?</td>
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<tr>
<td></td>
<td><strong>Alison Cottrell</strong> Banking Standards Board</td>
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<td></td>
<td><strong>Brad Hooker</strong> University of Reading</td>
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<td><strong>Steve Smith</strong> Lloyds Banking Group</td>
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<td><strong>Mary Starks</strong> Financial Conduct Authority</td>
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### Farewell Drinks 16:30
Concerns have been raised, not least in Michael Lewis’ 2014 book “Flash Boys”, about the advantages that fast high-frequency traders (HFTs) possess in modern financial markets. One solution proposed in the industry is a “speed bump”, which slows down faster traders. We describe an impact evaluation of the speed bump’s effectiveness on Betfair, a betting exchange, where this design has been utilised for more than a decade. While the speed bump was largely successful at protecting slower traders, there is some evidence that fast traders began to develop successful strategies to circumvent the speed bump.

Financial markets have undergone large technological changes in recent years. A substantial proportion of trading is now conducted algorithmically, with little human intervention at the time of trade. Competition in these automated markets often centres on the speed of trading.

The most famous example of investment in speed-enhancing technology, specifically for financial market participants, is the high-speed fibre-optic cable – built by Spread Networks in 2010 at a cost of $300m – which shaved just 1.4 milliseconds off the time of round-trip communication between Chicago and New York. Any trader with access to that line was able, at least until the development of faster microwave towers in 2012, to arbitrage price differences between equities in New York and derivatives in Chicago quicker than the competition. If a trading firm is looking to gain another edge, they can also pay for faster access to information and/or pay for faster trading execution by “co-locating” at the exchange.

These developments have led to two potential problems. The first is that orders may be “front-run” across exchanges, as described in “Flash Boys”.¹ As trade, in particular in the U.S., takes place across multiple exchanges, and many large orders are broken up into smaller orders, orders on one exchange can be used to predict subsequent orders across other exchanges. Therefore, a fast trader can observe a buy order from a trader on one exchange, and then run ahead to the other exchanges to buy up the same stock in order to sell it when the slower trader arrives at the other exchanges to complete their orders.

The second problem is that fast traders can react to public information quicker. This creates an “adverse-selection” problem for slower traders whose outdated quotes are picked off by fast traders. The most egregious example of this was the 2-second advance access to the University of Michigan Consumer Sentiment Index, sold by Thomson Reuters to high-frequency traders in 2012. More generally, however, fast traders can process and trade upon macroeconomic and firm-related news faster than others. If slow traders are consistently picked off by faster traders as news arrives, then they will charge more in order to trade,² and the cost of trading for all participants will increase.

One approach to reduce the advantages to fast traders is to introduce a “speed bump”. A speed bump in financial markets works by introducing a delay between the time at which an order is submitted to an exchange, and the time at which the order is executed. The idea is that by the time the order hits the exchange, and crosses the speed bump, the informational advantage of fast traders has dissipated. Speed bumps have recently been adopted by a number of financial exchanges, including IEX of Flash Boys fame, and Toronto Stock Exchange Alpha.

While speed bumps are relatively novel in financial markets, a similar design has been used in betting markets – most prominently on Betfair – for more than a decade. Bettors inside football stadia observe goals and red cards before those watching at home, due to inevitable delays in the television signal. In this sense, the “pitch-siders” at football matches are analogous to the fastest algorithmic traders, who
are able to trade upon macroeconomic and financial news faster than the competition. To reduce the advantage of such pitch-siders, Betfair impose a 5-9 second speed bump to allow bettors at home to cancel their quotes before they are picked off by bettors in the stadia.

In Brown and Yang (2015), we conduct an impact evaluation of the effectiveness of the speed bump in improving market liquidity. Exploiting increases in the proportion of matches that received a longer speed bump delay over 5 English Premier League football seasons from 2008/9 to 2012/13, we find that a more stringent speed bump reduces the cost of trading (as measured by bid-ask spreads), and increases the frequency and size of orders. Similar effects were not found in “placebo” tests on Wimbledon tennis betting data, where the duration of the speed bump remained at 5 seconds over the same time period.

We do, however, conclude with a note of caution. There is a potential strategy to circumvent the speed bump, as cancellations of quotes are not subject to the same delay. Therefore, pitch-siders can place quotes on all outcomes, and then cancel their bet on the outcome that they have (just) observed will not happen. In doing so, they allow slower traders to place only losing bets, again due to the same informational disadvantage as before. We find evidence to suggest that this selective cancellation practice increased in frequency as the speed bump became more stringent over the years. In other words, even an ostensibly effective market design is likely to have loopholes. The more successful this design initially is, the more likely these loopholes will subsequently be found and exploited.

References:
Digital Platforms: Has the time come for competition regulation?

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Digital platforms are not only seizing growth, but they are also redefining the internet economy in such a way that it upsets the current competition landscape. In this article, we discuss various aspects of digital platforms. By highlighting the traits that differ digital platforms from conventional business models, we aim to show that these new unconventional economies do not clearly appear on the radar of conventional market regulations. Thus, the time has arrived for the introduction of new market regulations for digital platforms.

Currently, around three billion people are connected to the internet and the worldwide digital economy is increasingly valorising the massive presence of users on various digital platforms. This digital economy, which is empowered by the internet, is developing rapidly and is deeply impacting the physical economy. It is estimated that by the end of 2016 its value will reach U.S. $4.2 trillion in the G20 nations. In referring to the digital economy, Dean et al. (2012) suggest that “if it was a national economy, it would rank in the world’s top five, behind only U.S., China, Japan, and India”. For policy makers, this represents one of the best opportunities and challenges for economic growth and job creation, as well as a new frontier for competition.

A digital platform is a technical and commercial product enabling access to a particular set of services, typically supplied on-line, which can be subject to (direct or indirect) payment. Based on the type of services on offer, digital platforms may be differentiated into the following:

- **Retail platforms**: including platforms like Amazon and eBay which mediate between end-users and retailers.
- **Service and information platforms**: which bridge the gap between end-users and service providers, such as Airbnb.
- **Communication platforms**: consisting of platforms like Skype that facilitate communication between users.
- **Hybrid models**: platforms that combine features of various above mentioned categories, like Facebook.

The main features of digital platforms include ease of use, worldwide reach, speed of deployment and speed of innovation. Together, they provide “new dimensions” to classic competition concerns. However, the current competition landscape is designed for brick and mortar business, more so than for the digital economy, and there is a debate over whether the EU should introduce new regulations in this area.

This article has been written as a follow-up to Professor Montesi’s presentation on “Big Data + Society: A Data Driven Life”, delivered at CCP’s 11th Annual Conference on “Competition in the Digital Age” in June 2015.
The main features of digital platforms include ease of use, worldwide reach, speed of deployment and speed of innovation. Together, they provide “new dimensions” to classic competition concerns.

It is sometimes said that Governments should not intervene in digital markets. However, arguments used against Government intervention tend to be misleading, especially with regard to the “low barrier to entry” and the “not lasting advantage” arguments. The first tries to convince that it has never been easier to launch a new product or service. Digital platforms like Skype, Airbnb or Instagram have indeed experienced a rapid rise. The second tries to persuade that network effects in digital platforms do not confer an everlasting advantage. For instance, Internet Explorer is no longer the dominant internet browser, Myspace has been overshadowed by the younger Facebook, and IBM failed to move with the times and – ultimately – lost the PC market.

On the one hand, these examples rightfully show that when new technologies disrupt the market in unexpected ways, they expose even large consolidated firms to new rivals. On the other hand, these examples testify that only a dramatic, paradigm shift in a particular technology or business model is able to substantially modify an existing and consolidated position of power. Thus, inaction on the basis of these two arguments may condemn many businesses to irrelevance in the digital global market for many years to come.

Digital platforms are fuelled by a powerful combination of circumstances which could lead to digital monopolies, because:

- Digital data are the new asset class and represent a crucial competitive advantage. For instance, Google’s master data consist of a huge amount of data which can be exploited for target advertising and services. Thus, the digital economy is a data economy.
- Digital platforms operating through the internet are able to (potentially and rapidly) achieve world-wide reach among the internet-connected population. This could lead to an unprecedented concentration of power. For example, Google has reached 90% of online searches in Europe, while Amazon has a market share of nearly 65% of e-books and 75% of books in America’s market.
- “Platform lock-in” poses a real risk. This means making a customer dependent on a platform and, thereby, unable to switch to another one without substantial costs. This kind of restriction occurs both in consumer-grade platforms (e.g. iOS) and in enterprise-grade platforms (e.g. SAP).
- Network effects and economies of scale appear to be almost impossible to mitigate. Together, they create substantial entry barriers which can help to create or maintain a dominant position in a particular market.
- The transition from Software as a Product (SaaP) to Software as a Service (SaaS) will have a deep impact on any company. This paradigm shift means that the software installation is moved from the firm’s server to the cloud and the access is available over the internet.

In addition to these circumstances, digital platforms bear two characteristic features that may lead to a monopolistic economy. The first one is demand-side economies of scale, which means that customers’ evaluation of one network largely depends on the number of users on that network. This is why the “winner takes all” effect is particularly strong...
in the internet industry: when a platform takes the lead, a number of complementary services become available for that platform. To the extent that these services are not transferable to other platforms, they reinforce the network externalities connected to the winning platform. Also, they indubitably generate positive consequences, allowing all market participants to coordinate via just one platform.\(^7\) The second one is supply-side economies of scale, which means that the cost becomes lower when the sales go up. This implies that prices can be lowered, maintaining the same profit margins and, thus, constituting a strong barrier to entry. Moreover, users are often subject to high multi-homing costs, i.e. maintaining identities/data on different platforms given the high switching costs of (private) data. Empirical research found that a firm can be successful at retaining customers either because they offer a superior product or because they have high switching costs.\(^8\) In information-intensive markets there are two relevant switching costs:

- The time and effort spent on learning how to use a new product, also known as ‘learning cost’.
- Many information products are such that they require contents which only work on a specific platform, so-called ‘complementary investments’; for example, it is not possible to transfer iTunes applications to Android.

Given these circumstances, new firms facing the digital market need something disruptive to win a sufficient market share.

References:
6: De Bijl et al. (n 4).

It is clear that better regulation is necessary and more advanced policies need to be developed to address the areas that are most affected: controlled data sharing, privacy, labour, and social policies. New crafted regulations should address:

- The creation of a unique mechanism for personal digital identification, allowing users to consolidate their digital identities once and for all. This would, in turn, move the issue of identification from the hands of a few dominant private companies to a single controllable public institution. Of course, the question “quis custodiet ipsos custodes?” (who will guard the guards themselves?) still stands, as it is intrinsically unresolvable.
- A controlled system of data sharing among competitors. As the ‘number portability’ in the telecom industry allows easy switching among telecom operators, the sharing of user profile core data should cope with the need to remove the dominion over personal data from the few companies that, nowadays, hold most of the web traffic. In order to avoid cases of free riding, that is new companies exploiting freely the expensive work of others, the data to be shared should be carefully selected. No user profiled data or reputation on products should be part of shared data.
- The exercise of a more effective control with regard to user data. For example, legislation should require mandatory user consent (opt-in) in cases of the collection of user data. Most importantly, as planned in the EU General Data Protection Regulation, an effective system of data portability rights could mitigate the lock-in effects, greatly reducing the switching costs from one platform to another.

Current regulation for competition does not consider the new landscape of digital platforms. One way to mitigate the network effect and the economy of scale of these platforms is to create an agency, provide personal digital identification with a single sign-on mechanism, and introduce other measures for controlling shared data to lower the barriers to enter the digital platforms market.
Members from the Centre teach on three post-graduate master’s courses delivered by the University of East Anglia, all of which have a significant competition policy element:

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"I really appreciated the covering of both economic elements and the broad legal framework"

"It was great to learn from practitioners in the field with a vast amount of experience. Sessions were great and engaging"

"Very well delivered. Content pitched right in terms of level of assumed economic knowledge"
Perhaps my proudest achievement¹ in the twelve years I have worked in CCP was to coin the phrase: “research of real-world relevance without compromising academic rigour”. This has always been the defining feature of CCP research, and the phrase continues to this day on the homepage of our website.
This article refers to another important arm of CCP: its research PhD training. Here too, I argue that our aim is to produce doctoral students whose research attains the highest academic level while at the same time having real world – especially competition policy – relevance.

My purpose in this article is to present the ‘facts’ – how many PhDs have we produced in Industrial Organisation (IO), and what happens to them after they leave CCP? I then go on to suggest that these facts show that, for the students themselves, a PhD in Economics at CCP offers very bright career prospects; for prospective employers in competition economics, we provide a valuable source of new talent; and for the University, our PhD programme helps achieve corporate objectives such as sustainability and Impact and Engagement.

I should stress that here I refer only to Economists working on competition policy within CCP. Of course, CCP also hosts students from our other related disciplines of Law, Politics and Management Science; likewise, the School of Economics has many PhD students in other areas of our discipline.

The Facts
After a small bout of checking University records, emailing and calling to renew old acquaintances, I have gathered the evidence summarised in Table 1. CCP first gained financial support from the ESRC in 2004, although it was formed a couple of years earlier, so I attribute to CCP all IO economists enrolling from 2003 onwards, and graduating from 2006 onwards.

As is evident from the table below, 24 students have successfully submitted PhDs and another 10 are currently in progress. Assuming that the latter graduate within (say conservatively) the next three years, this equates to an average edging towards 3 per annum. This is impressive considering that these are purely IO economists. As a crude measure of CCP impact on these figures, the table also reports for the years prior to CCP. For those earlier years, annual output was only half as high.

The pattern of career destinations for our students provides a fascinating insight into the nature of the job market. Not surprisingly, all of our students gain employment on or before graduation. Just over 40% stay in academic life: these are mainly in UK Universities, but also a few return to their home countries and a few join academic research institutes. This is also unsurprising and has always been a feature of University life. However, the remainder and now the majority, of our students have gone on to jobs practising as IO/competition economists, either in competition agencies/competition economic

<table>
<thead>
<tr>
<th>Year of graduation</th>
<th>2006-2015</th>
<th>In progress*</th>
<th>Pre-CCP years</th>
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<tbody>
<tr>
<td>Total</td>
<td>24</td>
<td>10</td>
<td>17</td>
</tr>
<tr>
<td>Per Annum</td>
<td>2.4</td>
<td>3.3</td>
<td>1.2</td>
</tr>
<tr>
<td>Career destinations (%)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Academic</td>
<td>42%</td>
<td>-</td>
<td>69%</td>
</tr>
<tr>
<td>Public Agencies (nearly all competition/regulation)</td>
<td>29%</td>
<td>-</td>
<td>12%</td>
</tr>
<tr>
<td>Private sector (nearly all consultancies on competition economics)</td>
<td>29%</td>
<td>-</td>
<td>19%</td>
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Note. During the CCP years, there have also been 31 CCP students graduating from the three other Schools involved in CCP: Law (15), Management Science (10) and Politics (6).
regulators, or in economic consultancies usually specialising in competition economics. Examples of such public agencies/ regulators include those based in the UK (e.g. CMA and, previously, both the OFT and CC) and those based abroad (e.g. the European Commission, OECD and FTC). Examples of economic consultancies include, amongst other household names, RBB, KPMG, Deloitte, CRA and AlixPartners.

Here, a very clear difference emerges when we compare to the destinations of PhD students pre-CCP: in those days, nearly 70% of our students remained within the academic sector. Again, this reflects positively on the appeal of CCP to employers outside of the Universities, but it is also indicative of an increasingly difficult labour market for Universities, who are typically unable to compete at all with salaries on offer, particularly in the private sector.

One demographic feature merits note – the geographic breakdown of our students: 42% from the UK, 27% from other countries within the EU, and 30% from outside the EU. Like any good football team, a significant number with home-country knowledge and experience, but well-supplemented by the experiences and perspectives brought by colleagues from other countries. This very much reflects the international nature of competition policy, albeit with the UK as a major player.

**Commentary**

Returning to my opening theme, these facts provide obvious support for the claim that we produce doctoral students with “real world relevance without compromising academic rigour”. Typically, under CCP’s influence, our students focus more on market analysis at a relevant level, rather than abstract theory or cross-industry econometrics, and draw out the policy implications of their research. They also leave with a much greater understanding of the relevant law

“The real worry is that a PhD will be seen, even more than in the past, as a ‘Labour of Love’, unless more and better funded scholarships are made available.”
Typically, under CCP’s influence, our students focus more on market analysis at a relevant level, rather than abstract theory or cross-industry econometrics, and draw out the policy implications of their research.

I would like to close, however, with two words of caution. First, only 27% of our PhD students have been female. While this figure may compare favourably with those achieved in some other parts of academia, it is unacceptably low and underlines the pressing need for the Economics profession to make its subject accessible to a wider constituency than is apparent at present. Second, I have confined this article to our PhD programme, but I could also have written about our Master’s degree in Industrial Organisation, which has been running successfully for over 20 years. Here, there would be good and bad news. The good news is that quite often our Masters students secure good jobs in Competition Economics without a PhD. From a quick non-rigorous survey of our Masters students of the last few years, I have identified at least 10 who have secured attractive posts in the agencies, regulators or consultancies. These are students we would ideally have liked to persuade to go on to a PhD, but the “bad” news is that they have been able to secure extremely well paid jobs, especially in the private sector, without the need to suffer the relative poverty of PhD study. The real worry is that a PhD will be seen, even more than in the past, as a ‘Labour of Love’, unless more and better funded scholarships are made available.

1: The cynic might say my only achievement.
On Friday 15 January, the Competition and Markets Authority (CMA) gave unconditional approval to the acquisition by BT, the UK’s largest fixed telecommunications provider, of EE, its largest mobile communications provider. The CMA concluded, after a nine-month long investigation, that the merger would not lead to a Substantial Lessening of Competition (SLC) and that neither the wholesale nor retail customers of both companies would suffer any harm from the merger. How much did this depend on product market definition?

Crucially, the CMA determined that mobile and fixed communications are not substitutes for each other and so are in separate relevant markets. This post explores the importance of market definition by asking whether different issues would have been raised if the CMA had adopted two alternative market definitions: first that fixed and mobile broadband are substitutes and so belong in the same relevant market; and secondly that the relevant market consists of a bundle of service including fixed and mobile broadband, telephony and TV content. These alternatives are set forward to illustrate the importance of the definition in identifying the competition issues, rather than to suggest that the CMA is incorrect in its findings.

Under the CMA’s definition, each party has only a small share in the other’s market: BT has only a small share in mobile markets and EE has only a small share in fixed broadband markets. The merger will, therefore, not lead to increased market concentration in either market and consumers will not be faced with any less choice. The incentives on the merged entity to compete as hard in future as the separate companies do today will not be diminished by the merger and they will gain no additional market power.

But what issues would arise if another definition had been adopted?

A single broadband product market
The UK communications regulator, Ofcom, has always found that fixed and mobile broadband are in separate markets. In its decision, the CMA, which is not bound by Ofcom’s market definitions, also found separate markets. Ofcom and the CMA are in the majority in this view as most other regulators agree with them. However, this finding is
Separately, the two firms have market shares in a combined fixed and mobile market of 7% and 26% respectively and the merged entity would have a share of 33%.

not unanimous. The Austrian regulator, for example, found that fixed and mobile broadband are in the same relevant market, at least for residential consumers. This finding was based on the fact that fixed and mobile broadband prices were broadly similar as was the service (download speed) offered. There is less evidence to support a single market definition in the UK: prices and access speeds are more divergent. However, as this post is simply a thought experiment we can suppose this evidence is not decisive and just ask: what issues would have arisen if the CMA had found a single product market?

Separately, the two firms have market shares in a combined fixed and mobile market of 7% and 26% respectively and the merged entity would have a share of 33%. This is not enough for a presumption of dominance, but perhaps enough to ask some questions. It would raise the HHI from a pre-merger level of 1,944 to 2,310: a rise of 366, which is above the level that the guidelines suggest would give cause for concern. Would the fact that the two largest rivals have market shares of 26% and 20% be enough to mitigate any single firm lessening of competition such that it is not “substantial”? Could a coordinated effects argument be sustained on the basis that there is little change in the symmetry of the three leaders while a potentially strong fourth party has been removed? What is certain is that these questions would need to be addressed if fixed and mobile broadband were in the same market.

The telecom bundle as the product market
The CMA rejects a suggestion that the market should be defined as a bundle consisting of fixed and mobile services. It suggests that the availability of services outside the bundle are sufficient to place a competitive constraint on a hypothetical monopolist of bundled products such that a SSNIP (Small but Significant Non-transitory Increase in Price) would not be profitable. Again, this conclusion is in line with nearly all regulators and competition authorities, but what if the CMA had found the relevant market to be a bundle of services?

BT/EE will have access to a combined set of resources that no other UK operator has: BT owns the largest fixed network in the UK and has significant content rights, in particular, for English Premier League and UEFA Champions League and, in BT Sports, has its own TV channels. EE has its own mobile network and the most widely available 4G network in the UK. BT/EE could therefore provide the same content on multiple platforms all within the same bundle. Its competitors are unable to match this set of resources: Sky has content but buys broadband access wholesale from BT; Virgin Media has its own content and fixed cable access network, but relies on EE to provide infrastructure for its Mobile Virtual Network Operation (MVNO). Other competitors similarly lack at least one key asset. These competitors all rely on at least one other party to provide a comparable bundle. If BT/EE were to use its set of assets to offer consumers a unique product, would that result in a SLC? Even if it did, would consumers be worse off or would they benefit from the dynamic efficiency gains from the merger? Again, a different market definition leads to different questions.

Whether a different market definition would lead to a different conclusion is not the purpose of the blog post. Rather it is to point out the importance of getting the market definition right to ensure the correct questions are asked. Looking at the mobile and fixed markets as separate, as the CMA has done, leads to one conclusion. Perhaps if an alternative market definition were deployed a different conclusion would be reached.
Welcome to the Spring 2016 Research Bulletin which, I’m delighted to say, finds CCP in continued excellent health. We have obtained new research grants; increased our number of public sector subscription members; and been joined by five new faculty members (Dr Lily Samkharadze, Patrycja Klusak, Dr Sally Broughton Micova, Dr Sabine Jacques and Dr Robert Topinka), two new research students (Paul Gorney and Yimeng Li) and a Research Associate (Rosie Almond) who joins us under our exciting Knowledge Transfer Partnership project with local business Cornwall Energy Associates. These new arrivals, along with other recent appointments at UEA, have strengthened the team not just at its core of competition and regulation policy, but also in new and adjacent areas of research such as “disruptive innovations” and media policy. In addition to our published research, we have continued to blog regularly on current relevant issues and to respond to public consultations. More information about our activities can be found on our website, or why not follow us on Twitter where you will find regular posts about our seminars, working papers, research bulletins, news and events.

It has been a great pleasure to again be involved in the delivery of two bespoke courses on the economics of competition policy, one open and one offered through the Government Economic Service. We are expecting to repeat both in the coming year - you will find an advert for the open course on page 21 of this bulletin. These courses offer the Centre a direct connection with new practitioners in this field as well as the opportunity to ensure that insights from our research find their way to the practitioner community.

The recently completed Competition and Markets Authority (CMA) market inquiry into the Energy Sector has led to much public discussion. The Centre has taken a very active role in these debates, basing our commentary and feedback on our past and current research. This work will continue in the future with an increased focus on vulnerable consumers and on distribution and justice, supported by a substantial grant from the UK Energy Research Centre. In light of these highly topical concerns, next year’s annual conference is earmarked to tackle some of these issues more broadly across different sectors.

Another recently completed market inquiry by the CMA into banking helps to highlight why this sector is of such relevance to policy makers while at the same time neglected by the academic community. Timing is everything, and our Annual Conference this year looks at Competition Policy in Financial Markets. The focus will be on the challenges and complexities of formulating a competition policy for modern financial markets, whether this be through core antitrust law or through ex ante regulation.

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