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Rage against the machine

Max Findlay (Max Findlay Associates, United Kingdom) · Wednesday, October 3rd, 2012

Right now, the leitmotif in the competition world is the anger of the ordinary citizen. You thought this was an arena dominated by sober minded analysts, regulators and business executives? Think again.

Take, for instance, the investigation into Britain's retail road fuel industry – worth about £32bn – currently being conducted by the UK's Office of Fair Trading. Average pump prices for both petrol and diesel are seriously higher than inflation. They are also out of kilter with the underlying rises in oil prices and the wholesale cost of fuel.

The OFT is now looking at how oil companies and filling stations (especially those owned by supermarkets) set their prices. It's planning to publish its findings next January.

But the investigation comes in the wake of furious attacks by motorists on the greedy practices of supermarkets and other fuel suppliers. Motorists living in one particular town frequently have to pay significantly more for their petrol than their neighbours a few miles away. The anger is ratcheted up even further by the fact that falls in the price of crude oil are not reflected in pump prices. In an attempt to sound calm and collected over its new study of fuel prices, the OFT said that it "was keenly aware of the continuing widespread concern" and now "wants to identify whether there are competition problems in the sector". Cue derisive pantomime-like shouts of "Oh yes, there are" from the motoring public.

Lots of people, though, can't understand why on earth the regulator hasn't acted sooner. The president of the British Automobile Association (AA), Edmund King, said that such an investigation "is overdue". The AA, he went on, "has been calling for full transparency in fuel prices since 2005, allowing drivers to understand the relationship between oil, wholesale and pump prices". His view is shared by David Bizley, the technical director at the rival RAC motoring organisation: "Rising fuel prices cause economic hardship – especially in rural areas – so this really is news that motorists would like to have had a long time ago".

You could also hear the vox populi – albeit slightly more in the distance – underneath the recent BSkyB and Libor stories. Last month, the British media regulator Ofcom announced that BSkyB is a "fit and proper" body to hold a broadcasting licence. But the regulator then went to savage the former BSkyB chairman James Murdoch for his role in the British phone hacking scandal that drove Ofcom's investigation: "We consider James Murdoch's conduct, including his failure to initiate action on his own account on a number of occasions, to be both difficult to comprehend and ill-judged."

Round about the same time, traders at the Royal Bank of Scotland were reported to have boasted about running a cartel to rig Libor (the world's benchmark borrowing rate) just weeks before the bank was rescued by the British taxpayer at a cost of more than £40bn. In one celebrated exchange, a Mr Tan Chi Min – a former Singapore-based trader at RBS – messaged traders saying "our six-month fixing moved the entire fixing, hahaha". It's "amazing", he wrote in another message, "how Libor-fixing can make you that much money … it's a cartel now in London".

Unsurprisingly, RBS has refused to comment on Mr Tan's remarks, stressing that the bank is co-operating totally with everybody in authority. You could smell the fear as you read the RBS's press statement. And no wonder. The reality behind these BSkyB and Libor stories is that, this time around, the action isn't being driven by the politicians, the media, the regulators or any other bunch of professionals. It's being driven by the rage of the British public – who loathe the bankers and despise the Murdoch media – and the financial industry and the press are rightly scared witless that the public fury will be translated into harsh official treatment of their industries.

Mind you, competition authorities do sometimes get the point about local concerns without first being metaphorically hit over the head by furious punters. Recently, the Norwegian competition authority banned the country's leading garden centre chain, Plantasjen, from taking over its nearest competitor, Oddernes Gartneri, in the south Norwegian city of Kristiansand. Before reaching its final decision, the authority carried out extensive research among competitors and other market participants. It also conducted a survey among garden centre customers.

Having heard all the evidence – and despite suggestions from the parties to the deal about possible ways of limiting the adverse effects of the merger – the authority concluded that consumers would be worse off if the acquisition went ahead. Prices would rise, and the product range, service and quality would deteriorate. British punters can only dream of such timely and calm action.

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