

# **Cartel dangers: What you need to know**

**Future London Summit 27<sup>th</sup> November 2019**

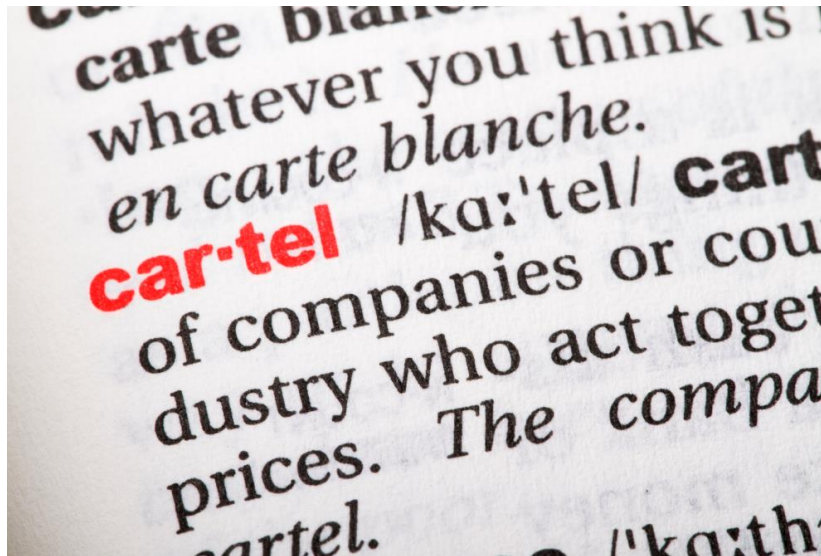
**Andrea Baildon**  
CMA Assistant Director, Cartels

# The role of the CMA



- UK's primary competition and consumer law enforcement agency
- Formed out of functions of the OFT and CC
- Responsible for promoting business competition in the UK
- HQ in Canary Wharf + presence in the devolved nations

# Cartels....



**closer to home than  
you might think**



# What is a Cartel?

## - Some examples

### Price fixing



Agreeing with competitors what price you will charge, or what discount you will give, to avoid having to compete with each other

### Market sharing



Agreeing not to go after a competitor's customers, or deciding which territories each business will 'take'

### Bid-rigging



Agreeing with other businesses how much you will bid in a tender, and who will have the lowest bid so that they win the contract

#### Also:

- Exchanging commercially sensitive information such as on prices
- Agreeing to limit production

# Bid-rigging

~~NO CONTEST~~

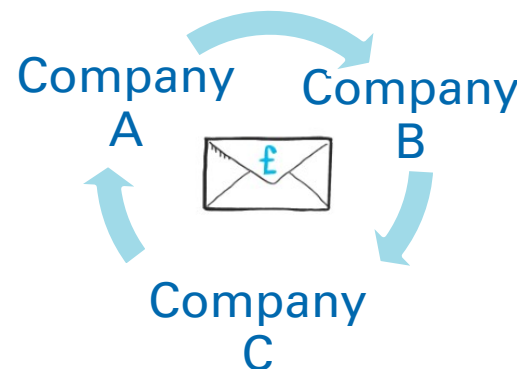
## Bid suppression

Firms agree not to submit a bid at all so there is less competition



## Cover pricing

Firms who don't want the work agree with competitors that they will submit inflated 'cover' prices



## Bid rotation

Firms take it in turns to 'win' contracts



## Market allocation

Firms agree to divide up customers or geographic areas

# Bid-rigging video



# Powers of investigation

As the CMA, we have a number of investigatory tools at our disposal.

We can:

- Turn up with a warrant and search company offices unannounced and request information and documents (also known as “dawn raids”)
- Search the home addresses of those suspected of involvement in cartel agreements
- Interview people, either using compulsory interview powers or on a voluntary basis
- Compel companies or individuals to give us information or documents
- Use of Covert Human Intelligence Source
- Access to Communications Data
- Surveillance Powers





# Disqualification risk

- 12 disqualifications to date
- We have streamlined our process for disqualifications and actively consider director disqualification in all CA98 cases





# Pre-cast concrete cartel

- Operating between July 2006 – March 2013
- Three companies agreed to fix or coordinate their prices
- CMA covertly recorded meetings between senior executives
- Customers include engineering, construction, utilities and Gov.
- **Fines totalling over £36m**



# Office fit-out services cartel

- Between 2006 - 2017, each involved company used 'cover bidding' at least once during bids to fit-out and refurbish offices
  - Clients included a low-cost airline, a City law firm + a further education college
  - 'Cartel instigator' often provided the cover bidder with completed costs and/or design plans
- 
- Fines totalling over £7 million
  - Disqualification of 3 former directors of the companies involved



**DISQUALIFIED**

# Galvanised steel tanks cartel CMA

Competition & Markets Authority

## Tanks used in sprinkler systems (2016)

- Market sharing, price fixing and bid rigging
- ABC customer allocation lists
- indicative price lists
- Agreed max discount of 2%



Text message between two cartelists:

*“Its [sic] a tank for Kronospan, we are the cheapest but the buyer is trying to screw us down. Can you please hold you [sic] price or at the worst no lower than £29,500.”*



# What do I need to do?

You and your staff should:



- Learn to recognise red flag behaviours
- Beware what you share
- If you are approached to join a cartel:
  - Immediately reject the approach
  - Leave the meeting and make clear you refuse to take part in anything illegal
- If in doubt, seek legal advice



# How to report to us

If you have information about a cartel (e.g. price-fixing, market-sharing, bid-rigging) but are not directly involved



CALL THE CARTELS HOTLINE ON  
**020 3738 6888**

Report via our online reporting form or email:  
[cartelshotline@cma.gsi.gov.uk](mailto:cartelshotline@cma.gsi.gov.uk)

If you think you may have been involved in something illegal, you may escape fines or sanctions if you come to us first



**REPORT IT**  
BEFORE SOMEONE ELSE DOES

**APPLY FOR LENIENCY**

**020 3738 6833**



# Making compliance easy

## Useful resources to help businesses

 HM Government

**WHEN IT COMES TO CARTELS,  
BE SAFE NOT SORRY.**



[www.gov.uk/stopcartels](http://www.gov.uk/stopcartels)