
International developments

From the UK

The following items have been extracted from Fairtrading, the quarterly magazine of the UK Government's Office of Fair Trading.

Quantitative analysis of competition abuse

A research paper prepared for the Office of Fair Trading by LECG Ltd examines the quantitative techniques used to analyse competition in the USA and Europe. The paper describes, from a technical and practical perspective, how 15 data analysis techniques can help regulators investigate potential competition abuses.

The techniques apply to three key areas of competition policy, prices, demand and competition models.

A summary of the paper can be read or the full version downloaded from:
<http://www.oft.gov.uk/html/rsearch/reports/oft266.htm>

New White Paper on consumer issues

The UK Office of Fair Trading has welcomed the recently published Government White Paper *Modern Markets, Confident Consumers*. The paper sets out new moves to challenge high prices, provide better advice and stamp out cheats who persistently rip off consumers. Proposals in the White Paper include:

- the OFT seal of approval for codes of practice that guarantee high standards of customer service and redress;
- new court powers to ban rogue traders;

- a consumer gateway on the Internet to point consumers to the information they need;
- developing a new advice network to give people easier access to high-quality consumer information;
- establishing an enforcement forum to promote a consistent approach between agencies;
- a digital 'hallmark' for Internet traders abiding by secure payment and privacy codes; and
- publication of international price comparisons.

The White Paper can be downloaded from:
<http://www.dti.gov.uk/consumer/whitepaper/wpmenu.htm>

From New Zealand

The following items have been extracted from the New Zealand Commerce Commission's newsletter Fair's Fair and from its media releases.

Trying to stop discounting costs Acer Computer \$83 000

Acer Computer New Zealand Limited admitted to the Auckland High Court in November that it breached the Commerce Act by trying to stop two wholesalers discounting Acer scanners.

Justice Salmon ordered Acer to pay a penalty of \$82 000 plus \$1000 towards the Commerce Commission's costs. Commission Chairman John Belgrave pointed out that the

setting of resale prices by distributors is fundamentally anti-competitive. By preventing customer choice they cause customers to pay more.

Acer had drafted an agreement under which it could cut supply to two other companies, Times Technology Limited and Z-com Computer Wholesale Limited, if they sold Acer scanners for less than prices set by Acer.

Between January and March this year Times and Z-com were involved in what was effectively a price war involving heavy discounting of Acer scanners.

Acer arranged meetings with Times and Z-com and attempted to have them agree to minimum mark-ups above the prices that they paid to Acer. The mark-ups were 15 per cent, or 12 per cent for larger volume sales.

Southern Cross and Aetna to pay reimbursements of more than \$100 000

Court action by the Commerce Commission led to the health insurance companies, Southern Cross Medical Care Society and Aetna Health (NZ) Limited, agreeing to pay reimbursements of more than \$100 000 to affected policy holders. They also agreed to rewrite relevant policies and pay \$5000 toward the Commission's legal costs.

The companies had claimed that various policies would pay 100 per cent or 80 per cent of patients' reasonable medical costs, but some people got less than 20 per cent. In a signed Deed of Settlement, Southern Cross acknowledged that people were likely to have been misled about the level of reimbursement for the costs of angioplasty and cardiac surgery.

Under the Deed, Southern Cross will reimburse people who had bought the policies and had claimed for cardiac surgery or angioplasty. The people affected will receive a total of \$145 223.20 in reimbursements.

Aetna will reimburse people who bought relevant policies in the five years from September 1994 and did not receive reasonable reimbursement for angioplasty, cardiac surgery, lithotripsy or hospital accommodation.

Warning on cigarette lighter standards

The Commerce Commission has warned 157 retailers that they risk breaching the product safety standard for cigarette lighters and is investigating some distributors and manufacturers of cigarette lighters.

The safety standard was introduced in early 1999 after a spate of fires had been started by children playing with cigarette lighters. The standard requires lighters to be child resistant.

The retailers were warned that each batch of lighters must have a certificate stating the batch complies with the standard. Those sent warning letters either had no certificates or certificates for only some batches.

Distributors and manufacturers, who provide the certificates to retailers, are being investigated because some of the certificates do not have the information the standard requires. It is not yet certain if the lack of information is an administrative oversight or comes from inadequate testing of lighters.

After further investigation the Commission will decide whether to issue a warning, accept a settlement including signed undertakings of how behaviour would change, or take court action. Courts can impose fines of up to \$100 000.