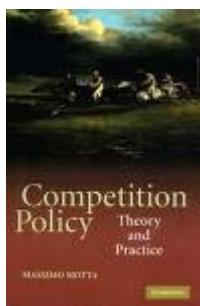


Department of Economics
EC307 Competition Policy

Lecturer: Dr. Chris Doyle
Term 2, 2009-10

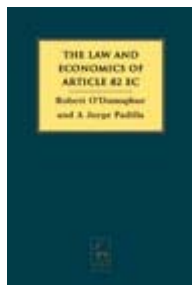
An introduction to key microeconomic concepts applied in competition policy in the UK, EU and elsewhere. You should acquire an understanding of competition policy principles and practice. There are five two-hour lectures covering ten themes. The course requires a familiarity with intermediate microeconomics and industrial economics. The following deal with much of the material to be covered on the course:



Massimo Motta (2004)
*Competition Policy:
Theory and Practice*,
Cambridge. [MM]

Sections marked (**) in MM are aimed at graduates and should be considered optional. Sections marked (*) are accessible to undergraduates. I have adopted the same convention for some of the readings on this course.

Warwick University Library catalogue reference HN 4700.M6 (7 copies, 2 Main, 3 3 Day Loan, 1 Short Loan, 1 Learning Grid)



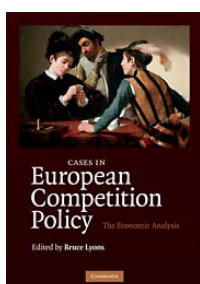
O'Donoghue, Robert and Jorge A. Padilla (2006) *The law and economics of Article 82 EC*, Hart Publishing, Oxford. [OP]

Warwick University Library catalogue reference KC 1019.2. O3 (Short Loan).



*Handbook of Antitrust
Economics* (2008),
edited by Paolo
Buccirossi, MIT Press.
[PB]

Warwick University Library catalogue reference HN 4700.H2. (3 copies, 2 Main, 1 Short Loan)



*Cases in European
Competition Policy:
The Economic Analysis*
(2009), edited by Bruce
Lyons, Cambridge
University Press. [BL]

The most up to date version of the course outline is available electronically at: <http://www.cdoyle.com/teaching/intro.html>, where links to readings should be live.

Course Outline

Lecture 1

Friday 19/2/10, LIB2, 9-11am

Introduction to competition policy: institutions and concepts

Reading

"Economic and Legal Context" pp. 8-26 in the *Antitrust Revolution: Economics, Competition and Policy* edited by John E. Kwoka, and Lawrence J. White (2004), Oxford. Warwick University Library catalogue reference HN 4761.A6.

Introduction [BL] (2009), "The transformation of Competition Policy in Europe" pp. 1-22.

A. UK competition policy

Richard Whish (2009) *Competition Law*, Sixth Edition, Oxford University Press. Comprehensive legal text, various parts useful as complements to lectures. [RW] Warwick University Library catalogue reference KN 266.W4. Covers both UK and EU competition law.

The Office of Fair Trading (OFT) has a wealth of information and many useful publications: <http://www.of.gov.uk/> See also the UK Competition Commission <http://www.competition-commission.org.uk/index.htm> and the UK Competition Appeal Tribunal <http://www.catribunal.org.uk/default.asp>

B. European competition policy

Note following the Lisbon treaty of 1 December 2009, the article numbers relevant to competition in the Treaty have changed. What were articles 81 and 82 are now 101 and 102 respectively.

Competition rules applicable to entities in the EU are enforced through DG Competition; its site contains considerable information on cases, laws, consultation and more: http://ec.europa.eu/competition/index_en.html

European Commission (2009) "[Report on Competition Policy 2008](#)" COM(2009)374. Annual report of DG Competition.

European Commission DG Competition (2010) "Best practices for the submission of economic evidence and data collecting in cases concerning the application of Articles 101 and 102 TFEU and in merger cases": http://ec.europa.eu/competition/consultations/2010_best_practices/best_practice_submission_s.pdf

Official documents published by the EU on executing merger policy: http://ec.europa.eu/comm/competition/mergers/legislation/notices_on_substance.html

C. Cases

Competition cases before the European courts can be found at: <http://ec.europa.eu/competition/court/index.html>

Market definition

Reading

Ch. 3 [MM]

Ch. 2 [OP]

Ch. 1 [PB] Jonathan B. Baker and Timothy F. Bresnahan (2008), "Economic Evidence in Antitrust: Defining Markets and Measuring Market Power".

Other reading

Bishop, Simon and Michael Walker (2002) *The Economics EC Competition Law: Concepts, Application and Measurement* Ch. 3. Warwick University Library catalogue reference KC 1019.2 S4 (Main and Short Loan)

European Commission official description of a '[relevant market](#)'

Paul Geroski and Rachel Griffith (2003) "[Identifying Anti-trust Markets](#)" Institute of Fiscal Studies WP03/01 and chapter in *International Handbook on Competition* edited by M. Neumann and J. Weigand, Edward Elgar publishers, December 2004.

"[The role of market definition in monopoly and dominance inquiries](#)", OFT Economic Discussion paper number 2, July 2001, prepared by National Economic Research Associates, chapters 1 and 2.

"[Market Definition: Understanding Competition Law](#)", OFT, December 2004.

Case: UK Supermarkets

Ch. 4 [BL] Paul W. Dobson (2009), "Relationship between buyer and seller power in retailing: UK supermarkets (2000)"

Competition Commission (2005) "[Somerset plc/Wm Morrison Supermarkets plc: A report on the acquisition by Somerset plc of 115 stores from Wm Morrison Supermarkets plc](#)", September – chapter 6. See also appendices B ([Economic analysis](#)), C ([Competitors](#)) and D ([Diversion ratios](#)). [Competition Appeal Tribunal](#) (2006, February) judgment on the subsequent Somerset application for a judicial review.

Lecture 2

Friday 26/2/10, Room LIB2, 9-11am

Dominance and market power (horizontal mergers)

Reading

Ch. 5 [MM]

Ch. 3.2 [OP]

Furse, Mark (2007) *The law of merger control in the EC and the UK*, Hart Publishing. Warwick University Library catalogue reference KC 1019.2 F8 (Short Loan)

Ch. 2 [PB] Gregory J. Werden and Luke M. Froeb (2008) "Unilateral Competitive Effects of Horizontal Mergers".

Other reading

Marc Ivaldi, Bruno Jullien, Patrick Rey, Paul Seabright and Jean Tirole (2003) "[The Economics of Unilateral Effects](#)" March, Interim Report for DG Competition, European Commission.

[European Commission Merger Regulation](#) EC 139/2004 and [Horizontal Merger Guidelines](#) 2004/C 31/03.

OFT (2003) "[Mergers: substantive assessment guidance](#)", May.

John Vickers (2004) "[Abuse of Market Power](#)", EARIE conference Berlin, 3 September 2004.

Michael D. Whinston (2007) "Antitrust policy toward horizontal mergers" ch.36 in *Handbook of Industrial Organization Volume III*, edited by Mark Armstrong and Rob Porter. Warwick University Library catalogue reference HN 4000.H2.

Case: UK Brewing industry

Ch. 13 [BL] Margaret E. Slade (2009), "Merger simulations of unilateral effects: what can we learn from the UK brewing industry?"

Joint dominance and tacit collusion

Reading

Ch. 4 [MM]

Ch. 3.3 [OP]

Ch. 14, pp. 505-43 [RW]

Ch. 3 [PB] Kai-Uwe Kühn (2008) "The Coordinated Effects of Mergers"

Ch. 14 [BL] Eliana Garces-Tolon, Damien Neven & Paul Seabright (2009), "The ups and downs of the doctrine of collective dominance: using game theory for merger policy"

Other reading

Marc Ivaldi, Bruno Jullien, Patrick Rey, Paul Seabright and Jean Tirole (2003) "[The Economics of Tacit Collusion](#)" March 2003, Final Report for DG Competition, European Commission. [*]

Cases: Airtours and Sony BMG

Airtours case: [European Commission decision](#), April 2000; [Judgment of the Court of First Instance](#), June 2002.

Sony BMG case: [Commission Decision](#) July 2004; CFI [Judgment](#) July 2006; European Court of Justice [Judgment](#), July 2008

Lecture 3

Friday 5/3/10, LIB 2, 9-11am

Competition problems in two-sided and multi-sided markets

Reading

Ch. 2.5.4 [OP]

Other reading

Armstrong, Mark (2006) "Competition in Two-Sided Markets", *RAND Journal of Economics*, 2006, vol. 37, issue 3, pp. 668-91. [**]

Evans, David S. and Richard Schmalensee (2005) "[The Industrial Organization of Markets with Two-sided Platforms](#)" in *Issues in Competition Law and Policy*, American Bar Association, 2009 (Wayne D. Collins ed., three volume set).

Rochet, Jean-Charles, and Jean Tirole (2003) "[Platform Competition in Two-Sided Markets](#)", *Journal of the European Economic Association*, 1(4), 990-1029. [**]

Cases: Credit cards and Horse racing

Ch. 15 [PB] Jean-Charles Rochet and Jean Tirole (2008) "Competition Policy in Two-Sided Markets, with a Special Emphasis on Payment Cards"

Ch. 8 [BL] Bruce Lyons (2009) "The Orders and Rules of British Horseracing: anticompetitive agreements or good governance of a multi-sided sport?"

Cartels: Whistleblowers and leniency programmes

Reading

Ch. 4.4.3 (pp.192-202, [**]) [MM] – see also Seminar 2 readings below.

Ch. 7 [PB] Giancarlo Spagnolo (2008) "Leniency and Whistleblowers in Antitrust".

Other reading

Giancarlo Spagnolo, "[Leniency and Whistleblowers in Antitrust](#)" CEPR DP 5794, August 2006.

Giancarlo Spagnolo and Paolo Buccirossi (2005) "[Optimal Fines in the Era of Whistleblowers. Should Price Fixers still go to Prison?](#)" Lear Research Paper 05-01 December 2005 and in Vivek Ghosal and Johan Stennek (Eds.) *Political Economy of Antitrust*, Amsterdam, New Holland.

Cento Veljanovski (2007) "[European Commission Cartel Prosecutions and Fines, 1998-2007: A Statistical Analysis](#)" CASE Associates, London.

European Green paper "[Damages actions for breach of the EC antitrust rules](#)" 19 December 2005, COM(2005) 672 final.

European Commission Working Paper "[Damages actions for breach of the EC antitrust rules](#)" 19 December 2005 Annex to COM(2005) 672 final.

[EC Notice \(2006\)](#).

Cases: Synthetic Rubber, Gas insulated switchgear, Elevators and Escalators

The gas insulated switchgear cartel case EC [press release](#). Lifts EC [press notice](#). [DOJ press notice](#)

Lecture 4

Friday 12/3/10, LIB2, 9am-11am

Vertical competition problems (Abusive Exclusionary Conduct)

Reading

Ch. 6 [MM]

Chs. 7 & 8 [OP]

Ch. 16 [RW]

Ch. 9 [PB] Patrick Rey and Thibaud Vergé (2008) "Economics of Vertical Restraints"

Other reading

Paul W. Dobson and Michael Waterson (1996) "[Vertical Restraints and Competition Policy](#)" OFT Research Paper no. 12, December 1996.

G.F. Mathewson and R.A. Winter (1984) "[An economic theory of vertical restraints](#)", *Rand Journal of Economics*, vol. 15, pp. 27-38.

OFT (2003) [Mergers: Substantive assessment guidance](#), OFT 516, May 2003 (all of this publication is useful, but chapter 6 is relevant for this lecture).

The EC Guidelines on the assessment of non-horizontal mergers, 28 November 2007 [EC Consultation on vertical mergers](#).

Case: Beer Orders

Ch. 9 [BL] Michael Waterson (2009) "Beer – the ties that bind"

The EC Microsoft Case

Reading

Ayres, Ian and Barry Nalebuff (2005) "[Going Soft on Microsoft? The EU's Antitrust Case and Remedy](#)" *The Economists' Voice* vol. 2, issue 2, article 4

Ch.9 [OP]

For documentation on the EC Microsoft case visit:

<http://ec.europa.eu/comm/competition/antitrust/cases/microsoft/>

A fine of €899m was applied to Microsoft for non-compliance with obligations associated with 2004 EC decision, see [press release](#)

Lecture 5

Friday 19/3/10 LIB 2, 9-11am

Predatory pricing

Reading

Ch. 7, pp. 411-54 [MM]

Ch. 5 [OP]

Ch. 18 [RW]

Other reading

Patrick Bolton, Joseph Brodley and Michael Riordan (2000) "[Predatory Pricing: Strategic Theory and Legal Policy](#)", *The Georgetown Law Journal*, vol. 88 (8), pp. 2239-2330. Link is to draft dated 1999.

Case: American Airlines

Aaron Edlin and Joseph Farrell (2003) "[The American Airlines Case: A Chance to Clarify Predation Policy](#)", in the *Antitrust Revolution: Economics, Competition and Policy* edited by John E. Kwoka, and Lawrence J. White, Oxford. Link to draft from 2002. Warwick University Library catalogue reference HN 4761.A6

Margin squeeze

Reading

Ch. 6 [OP]

Other reading

Jan Bouckaert and Frank Verboven (2004) "[Price Squeezes in a Regulatory Environment](#)", July, mimeo.

Gert Brunekreeft, Eric van Damme, Pierre Larouche and Valter Sorana (2005) "[On the law and economics of price squeeze in telecommunications markets: a project for KPN](#)" 14 February 2005.

Case: BSkyB

OFT (2002) "[BSkyB investigation: alleged infringement of the Chapter II prohibition](#)", Decision of the Director General of Fair Trading No CA98/20/2002

Dr. Chris Doyle

End

Seminar 1 – Market definition, dominance and countervailing buyer power

Ch. 3 [BL] Armstrong, Mark and Julian Wright (2009) “Mobile call termination in the UK: a competitive bottleneck?”

Cave, Martin and Chris Doyle (2005) “[Mobile Termination Rates: An Economic Analysis](#)” submission on behalf of the Commission of Communications Regulation, Ireland to the Electronic Communications Appeal Panel (ECAP), Ireland, 30 June and in particular Binmore, Ken and David Harbord (2005) “Bargaining Over Fixed-To-Mobile Termination Rates: Countervailing Buyer Power as a Constraint on Monopoly Power,” *Journal of Competition Law and Economics*, 1(3), 449-472. A version of this paper was submitted to ECAP: [Binmore-Harbord](#). Vodafone’s submission to a recent European commission consultation on termination rates is a useful overview: [Vodafone](#).

How is the relevant market defined in the Irish case above?

The view that Hutchison holds a dominant position in the relevant market identified was challenged on the grounds of countervailing buyer power. How plausible is the countervailing buyer power argument in this case?

What changes to the market structure and conduct could render market definition at the network level too narrow?

Seminar 2 – Leniency and Whistleblowers

Whistleblowers and leniency programmes. Summarise leniency policies adopted by the EC, Australia and the US and outline the economic principles underpinning the policies. See [EC Notice \(2006\)](#), [Australian](#) policy and Scott Hammond (2003) “[Beating Cartels at Their Own Game – Sharing Information in the Fight against Cartels](#)”, December 2003, Competition Policy Research Center, Fair Trade Commission of Japan, CPDP-8-E. See also readings in Lecture 6 on the course outline.

Outline the economic rationale for leniency programmes

Why do firms choose to apply for lenient treatment?

Has the application of these policies been successful within Europe?

Dr. Chris Doyle