



# Types of remedies: Supply-side and demand-side remedies

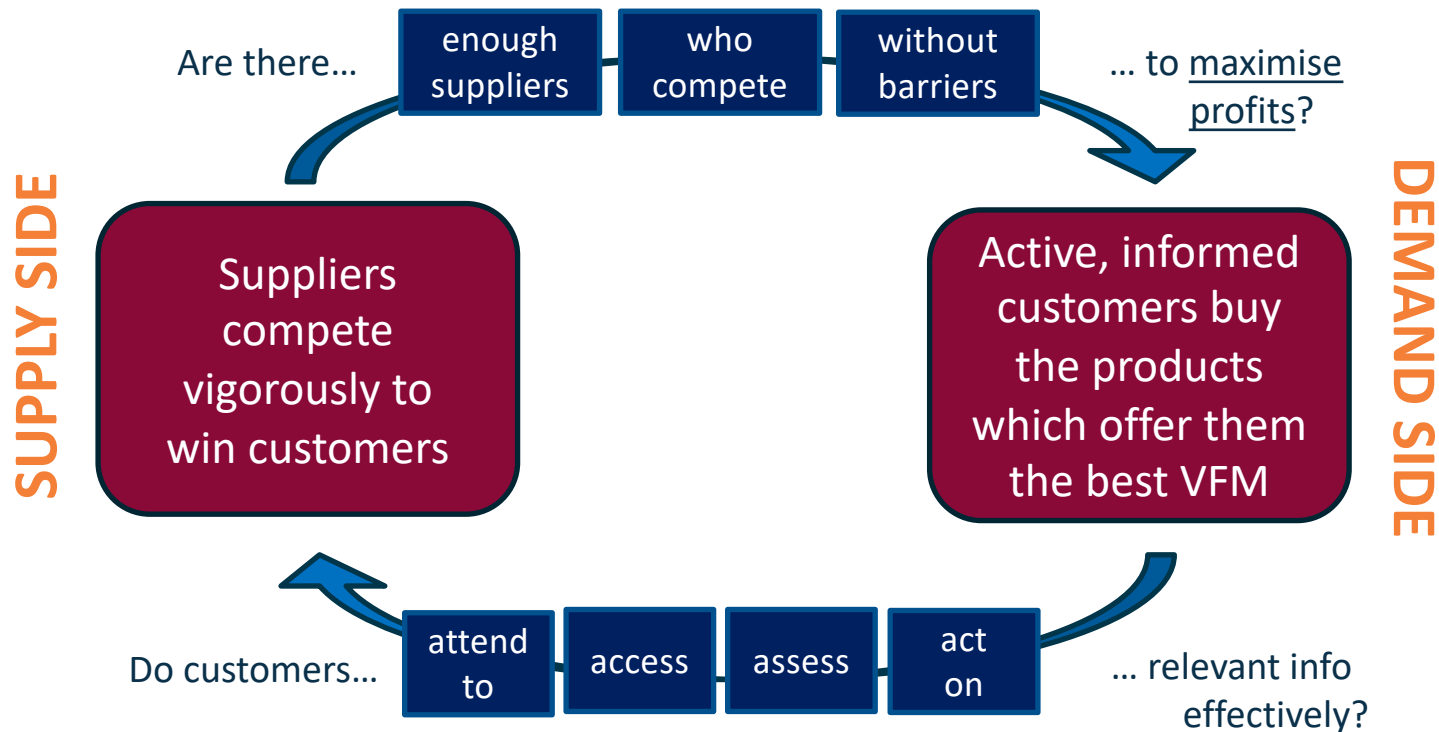
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Disclaimer: Views are personal and do not necessarily reflect the views of any organisation with which I am associated.

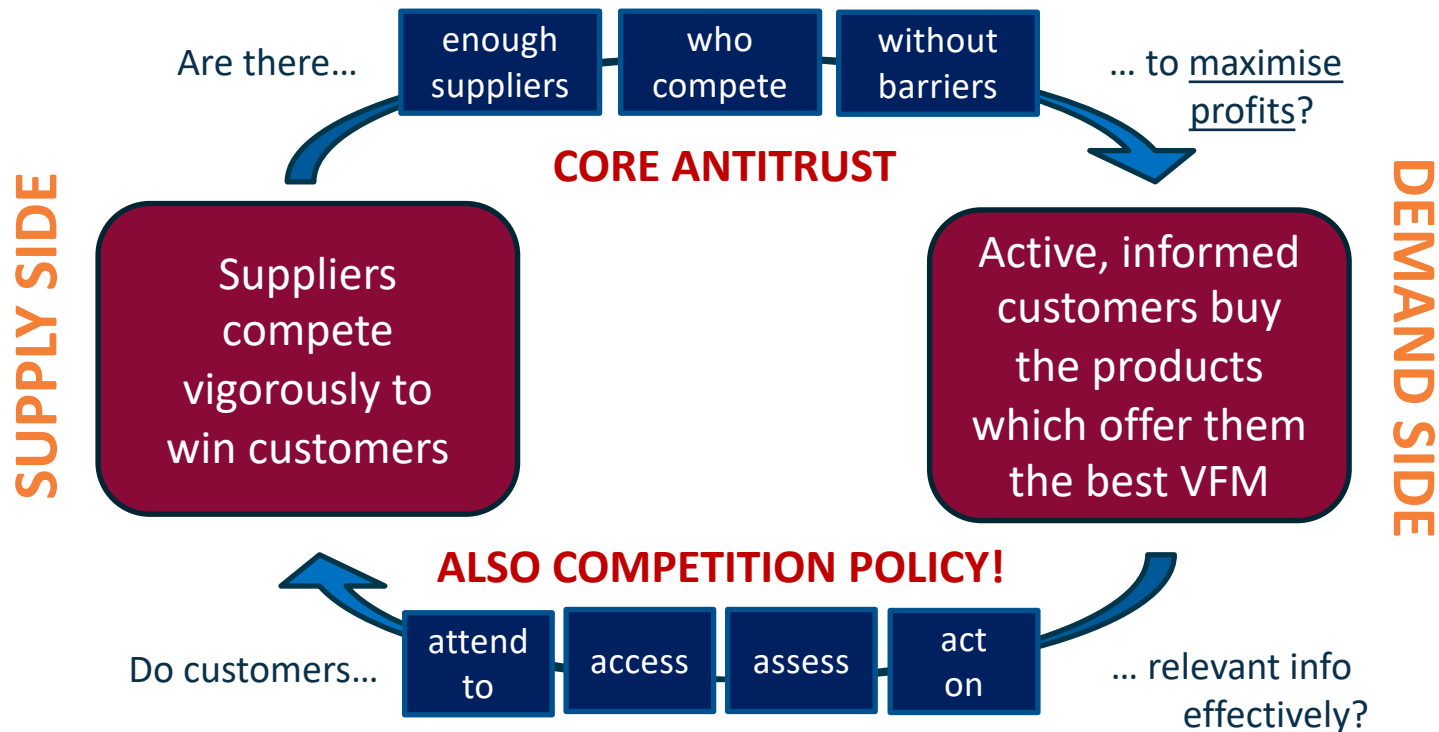
# The 'virtuous circle' of competition

Based on Bennett et al (2010)



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# Typical supply-side remedies

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- ❖ Structural Divestment
- ❖ Exclusive licensing:
  - ❖ eg of IP and/or production capacity (semi-structural)
- ❖ Behavioural remedies
  - ❖ Access requirements
  - ❖ Price regulation
  - ❖ Chinese wall provisions

## What are demand-side remedies (DSRs)?

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- ❖ DSRs are designed to help the demand-side of the market work more effectively.
- ❖ They are typically imposed on firms (rather than consumers).
- ❖ Remedies sometimes address deliberate poor behaviour by firms, eg:
  - ❖ Remedies under consumer law to misleading sales practices or unfair contract terms; or
  - ❖ Remedies under antitrust to anti-competitive tying or
- ❖ However, they can also be valuable where there is no firm culpability, eg:
  - ❖ Remedies imposed by UK CMA at the end of a market investigation
  - ❖ Remedies imposed by Government or through sector regulation
  - ❖ Remedies introduced by trade bodies or through industry codes

# Types of Demand Side Remedies

	Key issue...	Exacerbated by...	Remedies...
<b>Attend:</b>	No market engagement in the first place	saliency bias, self-control, present bias, status quo bias	Engagement triggers
<b>Access:</b>	Consumers know less about product offerings than suppliers.	Information overload	Disclosure requirements
<b>Assess:</b>	It may be hard to collect and compare information, even if available.	Avoidance of complex decisions, saliency bias, social influences	Shopping around remedies (including digital tools)
<b>Act:</b>	Switching product or supplier can be costly.	Status quo bias, present bias	Switching interventions

## DSRs: Some Comments

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- ❖ Successful DSRs can be hard to design, especially given behavioural biases
- ❖ Randomised controlled trials can be valuable for testing DSRs
  - ❖ Or alternatively a process of *ex post* evaluation and remedy revision
- ❖ Digital tools have huge potential and should be facilitated, but may themselves need regulating to ensure they deliver for users (NB EU P2B regulation a start)
- ❖ Where DSRs are unsuccessful, we may observe significant fairness concerns. These are gaining increasing public and political attention.
- ❖ Can precipitate the return of **Supply-side** remedies, but now to address **Demand-side** problems, eg:
  - ❖ Price regulation in UK energy, fixed line telephony, payday lending
  - ❖ Proposed relative price regulation for UK unarranged overdrafts, cash savings



## Types of remedies: Supply-side and demand-side remedies

*Comments welcome!*