

The Office of Fair Trading is looking forward to a year of high impact work for consumers. We will study and assess evidence of market failure and illegal activity in a holistic way, by improving our understanding and analysis of all aspects of market operation, including the drivers behind consumer and business behaviour. We have now established a robust organisational structure and a set of compelling values to help us achieve our mission of making markets work well for consumers. Our internal change has given us a fresh new revitalised focus

Office of Fair Trading Annual Plan 2007–08

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Introduction

by the Chairman and Chief Executive

'A key focus in the coming year will be to build on our existing evaluation programme and to ensure that outcome-focused planning and performance measurement are applied across the OFT.'

Last year, in our first Annual Plan since taking up our appointments in October 2005, we set out three main themes: continuity, rising to challenges across the spectrum of our activities, and implementing further change. Building on our efforts over the past year, these themes also run through the Annual Plan for 2007–08.

The last year

Over the past year, the OFT has taken decisive action on supermarkets, credit card default charges, independent school fees and consumer credit. We have pursued hard-core cartels and imposed multimillion pound fines in the markets for spacer bars, stock check pads, flat roofing and car park resurfacing. We have also resolved a number of problematic merger cases with first-phase remedies. Consumers and businesses have benefited from these achievements.

This strong performance was maintained while we were undertaking a major internal change programme. We now have a new organisational structure and a set of operating values which will help us to achieve our mission of making markets work well for consumers. We will assess evidence of market failure and illegal activity in a more holistic way by improving our understanding and analysis of all aspects of market operation, including the drivers behind consumer and business behaviour. It will also help us to evaluate the impact of our work on the wider economy.

An improved environment

In addition, we welcome improvements which have been made to the environment in which we operate. These include legislative and policy changes such as the Consumer Credit Act 2006, Regulation EC2006/2004 on Consumer Protection Cooperation and the introduction of the European Competition Network Model Leniency Programme, with which we were closely involved. We strongly support the Government's decision to enhance the remit of the OFT by taking on new responsibilities to champion the work of Local Authority Trading Standards Services (TSS). The strengthened partnership between the OFT and TSS, coupled with the handover of Consumer Direct to the OFT, will make a significant difference to both organisations in the interests of consumers and businesses.

The coming year

In this Annual Plan, we set out how we intend to build on our achievements and make full and effective use of this improved environment. We have a series of targets and objectives organised within four broad themes: delivering high-impact outcomes, being a centre of excellence and intelligence, working in partnership, and building our internal capability.

Much of our work in 2007–08 will be a continuation of work already in progress but we must also be alert to market developments and be ready to innovate, refocus and adapt whenever necessary. This plan represents our best judgement of future priorities but we will be flexible in our approach and use of resources, so that we can respond to new developments. To do this we believe there are two key areas that we must get right in order to achieve our overarching objectives.

Firstly, it is essential that we are able to identify, analyse and prioritise at an early stage the areas where there is a need for action. This will require access to all relevant information in order to be able to understand issues in their proper context. The changes to our internal structure and our new responsibility for operating Consumer Direct will improve our ability to achieve this.

We are also establishing new criteria and processes to improve the way we prioritise and allocate our resources and deliver our work, and we have created a new market monitoring function. These initiatives will enhance our ability to anticipate the need for OFT action. Early identification of issues and comprehensive analysis of their causes and effects will enable us to improve our selection of the range of tools currently available to us to address problems in markets.

We will continue to look for the most successful solutions, from consumer and business education to swift and decisive enforcement action, while working with government colleagues to ensure that our overall competition and consumer regime is effective and efficient.

Secondly, we are committed to seeking continuous improvement in the quality of our work. Our aim is to build on experience and achievements and constantly learn lessons from all of our actions. A key focus in the coming year will be to build on our existing evaluation programme and to ensure that outcome-focused planning and performance measurement are applied across the OFT.

In writing this plan we have consulted widely and have taken on board many of the comments and suggestions received from our stakeholders. We hope that this plan will give you a clear idea of our overall direction and explain how our 2007–08 objectives will enable us to build on our achievements and rise to meet challenges in the coming year.

Finally, we would also like to take this opportunity to welcome Jonathan May and Sean Williams to the Board as executive directors, and Bronwyn Curtis, Alan Giles and Professor Frédéric Jenny as non-executive directors.

Jonathan will lead the OFT's strategy and policy across our consumer and competition functions. He will be responsible for developing long-term strategy, ensuring greater focus and impact of the OFT's work, and national and international leadership in both competition and consumer policy. Sean will lead the OFT's portfolio of case work and market studies where professional project teams will focus on whole market solutions. Using a variety of tools, including consumer and competition enforcement, market studies and education, Sean will head the OFT's new approach to intervening where markets are not working well for consumers. The new non-executive directors will bring new perspectives and complementary skills and experience to our Board.



Philip Collins
Chairman

John Fingleton
Chief Executive

About the OFT

The OFT – a brief overview

The OFT is a non-ministerial government department. We have a broad remit and a diverse set of tools available to us. We are not a regulator; indeed our direct regulatory powers are limited to the operation of the consumer credit and merger control regimes, which are statutory functions. The majority of our work consists of analysing and studying markets, enforcing competition and consumer law, undertaking advocacy and working with partners to deliver relevant education programmes to businesses and consumers.

The OFT's mission

Our mission is to make markets work well for consumers. Our goal is for competitive, efficient, innovative markets where standards of consumer care are high, consumers have choice and are empowered and confident about making choices, and where businesses comply with consumer and competition laws but are not disproportionately burdened by Government regulations, or restricted and harmed by market abuse.

The tools to achieve this goal are found within the consumer and competition law regimes which lie at the heart of UK economic policy. These tools enable us to look at all aspects of markets to ensure that they are working well for consumers. We use the competition regime to ensure that consumers benefit from competitive and innovative markets which are not constrained by price fixing, by market sharing and other anti-competitive behaviour, by unnecessary or inappropriate regulations or by anti-competitive mergers. We use the consumer law regime to ensure that consumers are able to make informed and rational selections of products and services and that their choices are unimpeded by artificial constraints such as deceptive practices, misleading advertising, unfair contract terms or the withholding of material information.

Our view is that it is more effective to look at the demand and supply sides of markets together. The competition and consumer regimes are complementary to each other. Empowered and well-informed consumers act as a positive stimulus to competition between businesses. Where consumers are able to make informed decisions, businesses are more likely to innovate, reduce inefficiencies in production and supply, and compete in ways which make markets work well for consumers and the wider economy.

The OFT's approach

Our approach is founded on the principle that consumer welfare is optimised through vibrant competition in open and well-functioning markets. In pursuing this approach, we strive, through directed and effective enforcement when necessary and focused advocacy and education, to promote open competition and to encourage the unfettered availability of products and services and the provision of accurate, non-deceptive information between businesses and consumers. When stopping illegal conduct, we focus on the behaviour which poses the greatest threat to consumer welfare, such as fraudulent behaviour by individual 'rogue' traders and cartel activity. Such behaviour includes price fixing, market sharing, bid rigging, the use of unfair contract terms and deceptive or misleading advertising.

We employ a systematic and rigorous approach to identify and address serious misconduct and pay special attention to harmful behaviour in key industries and to the needs of vulnerable consumers.

We aim to take a market-informed approach, focusing on outcomes which support productivity growth and business vibrancy and improve consumer welfare. We believe that this approach is in the best interests of businesses, consumers, the UK economy and society. We have a wide range of tools at our disposal, from self-regulation in the form of the Consumer Codes Approval Scheme and business education to merger control, and the direct enforcement of consumer and competition legislation, including the criminal cartel offence.

Our methods include prosecution, market studies, consultation and workshops, advocacy to help to formulate Government policy and to address new or developing competition and consumer issues, and educating businesses and consumers. Beyond the immediate goal of stopping a particular bad practice or promoting a beneficial one, our activities improve the institutions and processes through which competition and consumer policies are formulated and applied.

Acting to prevent harm in the first place is better for consumers than taking enforcement action afterwards.

One of the ways to achieve this is to equip parties with the necessary knowledge and ability to protect themselves against unlawful practice. We undertake powerful awareness and education programmes and coordinate an alliance of consumer education partners. Our aim is to increase consumer and business knowledge and to deal rapidly with complaints from all parties who are affected by illegal activity and market failure. Prevention is not solely up to individuals or the Government, however, and business representatives and industry organisations can and do play an important role. Government intervention should be the last, not the first, resort, and we ask industry to 'do the right thing' and police itself by helping to raise compliance levels and by helping to stop unlawful, unfair and deceptive practices.

The OFT – supporting business

By monitoring, addressing and remedying all aspects of market failure we protect the fundamental framework in which business can operate in a climate of fairness with the freedom to innovate. We protect business when it acts as a buyer and a seller by taking action against cartels, abusive monopolies, and Government restrictions, which distort markets and harm competition. We also seek to protect the reputation of legitimate business and the UK market as a whole by dealing with scams, rogue traders, cartels and other negative influences on consumer confidence across all markets.

We are committed to acting in a manner which is proportionate to the matter in hand. This will involve the use of particular tools to enable the most appropriate and proportionate outcome. We will also consider carefully, and at an early stage, what remedies (including settlement) might be most appropriate. Both the choice of the intervention tool and the most appropriate remedy will be kept under review during our investigations to ensure that we remain focused on obtaining proportionate and effective outcomes.

In our work we aim to ensure that we conduct ourselves in a transparent manner and that parties are regularly informed of the status and anticipated timeframe of the inquiries in which they are involved.

Enforcement in context

Enforcement is an important tool in supporting our goals. Enforcement action can be one of the key ways to achieve behavioural change in businesses. Where we believe that the law is being broken and consumers and other businesses are suffering as a consequence, we will not hesitate to take swift and robust competition and consumer protection enforcement action when we consider it necessary.

However, our enforcement action and its legal framework only sets the minimum standards in markets, and we believe that we should aim for higher standards. Therefore enforcement action is just one part of the toolkit which we use to address those problems where minimum standards are not being reached. We also aim to raise standards in lots of other ways including guidance, training and the Consumer Codes Approval Scheme.

Making markets work well – competition and consumer law regimes

Competition stimulates businesses to offer the most attractive array of price and quality options possible. In a competitive industry, the need to gain new sales by satisfying consumer demands helps to increase the choices available. In competitive markets, when buyers dislike the products or practices of one supplier, they can switch to others. This imposes a rigorous discipline on each supplier to satisfy customer preferences. However, competition does more than simply increase choices for consumers. It creates the motivation to provide truthful, useful information about products and to fulfil promises concerning price, quality, and other terms of sale. Consumers can punish a seller's poor service or failure to fulfil a promise by voting with their feet – and their wallets. This punishment is usually swift, particularly for sellers of products which people frequently buy and where they can readily judge quality.

The 'informed consumer' stands on the common ground between the goal of competition policy – the maintenance of an efficient, innovative, competitive economy, and the goal of consumer law – confident consumers operating free from deception or ignorance concerning the material features of products and services and the terms of supply. If consumers have access to good information, then normal market forces are likely to compel sellers to improve their products or services in ways that are most important to the consumer.

Good businesses care about how consumers see them. They count on reputation and consumer satisfaction to retain custom and increase sales. By contrast, commercial thieves have no such concerns. They cheat consumers, take the revenues and disappear from sight, often to re-emerge in another guise to steal again. Likewise, cartelists conspire to deny consumers the benefits of competition and seek to cover up their actions in order to deprive consumers of lower prices and greater choice.

When market forces cannot overcome such threats to consumer welfare, for example because some sellers are unconcerned about repeat business and reputation, where there are structural or behavioural barriers to free competition, or where consumers and harmed businesses are unable to gain redress themselves, then OFT action may be required.

The diagram opposite illustrates some of the main issues we consider.

Our tools

Where one or more of these factors contribute to market failure, we have a range of tools at our disposal to address such failures and make the market work well for consumers. In many cases it will be appropriate for us to use a combination of these tools to address such failures in a holistic way. In many cases we will work in partnership with other organisations which have complementary powers or influence in relation to markets.

In 2007–08, the implementation of the Directive on Unfair Commercial Practices will strengthen our toolkit which currently includes the following:

Preventative tools, including the Consumer Codes Approval Scheme, OFT consumer and competition guidance and consumer education programmes.

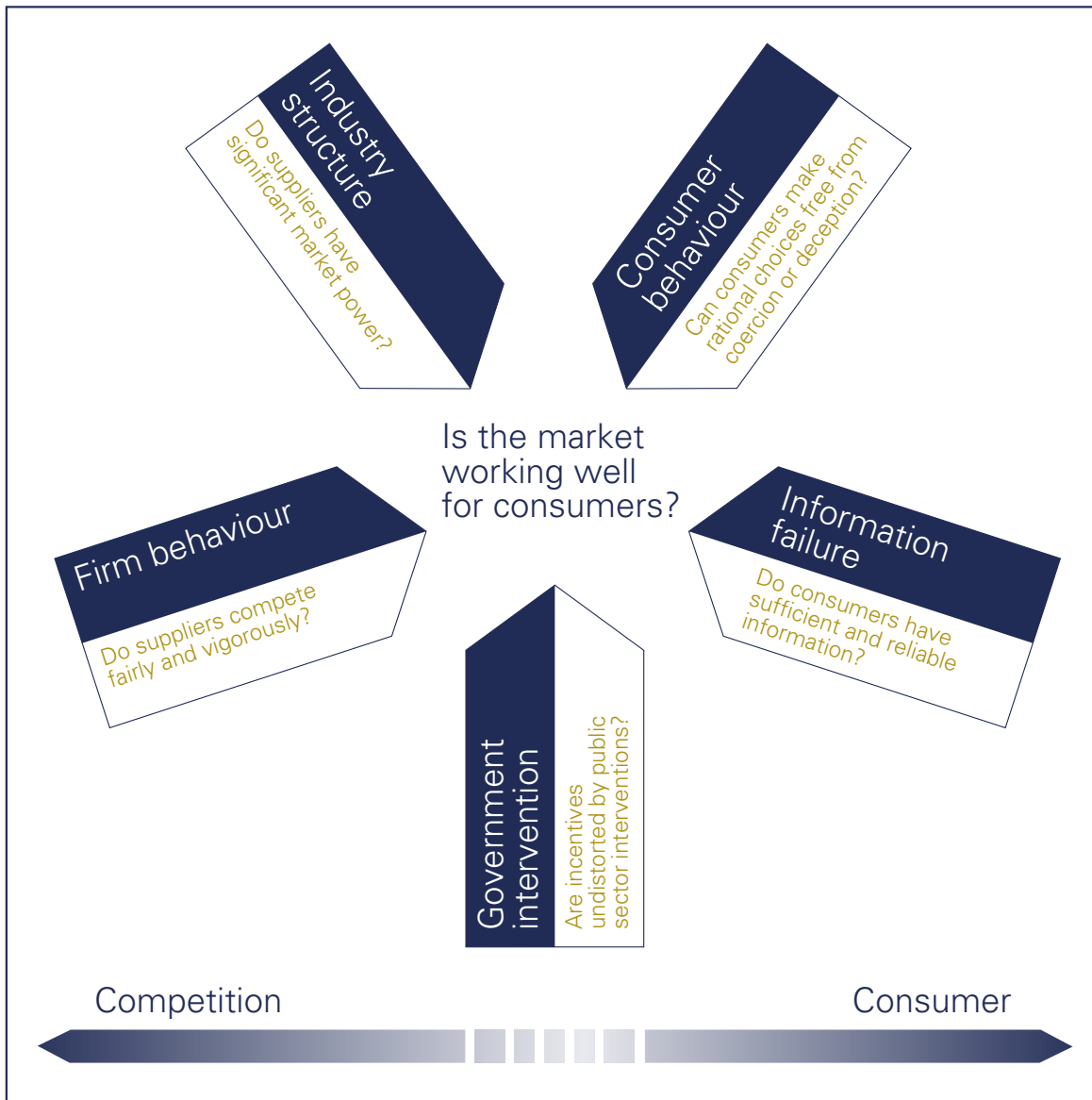
Diagnostic tools, including research, market studies, investigating and responding to super-complaints, references to the Competition Commission and our investigation and intelligence gathering functions.

Advocacy tools, including our international work, where we use our influence to promote the interests of UK consumers, advise Government, business and consumers on competition and consumer issues and encourage private enforcement and redress for breaches of consumer and competition law.

Enforcement tools, including accepting and reviewing undertakings, applying financial penalties and imposing directions under competition law, seeking court injunctions, refusing and revoking consumer credit licences and warning and banning estate agents. Our current powers under competition and consumer law are explained in more detail on the OFT website.

In addition, our **statutory remit** includes obligations on us to operate the consumer credit licensing and merger control regimes, to respond to super-complaints and to assist the European Commission to carry out any inspections in the UK under Articles 81 and 82 of the EC Treaty.

Key factors underlying markets that work well for consumers



OFT vision

Our vision is to:

Deliver high-impact outcomes

that have significant benefits for consumers and the economy, improve legal certainty, support wider compliance and deterrence, and foster efficient, competitive and pro-consumer market conduct using the entire range of our policy instruments.

Be a centre of excellence

in consumer and competition policy and enforcement – linking international best practice and national economic understanding with national and local delivery, and engaging in critical self-examination and open evaluation and improvement in how we work.

Be a centre of intelligence

using economic data and feedback from Consumer Direct, partners and stakeholders, to inform our own and others' work, to identify markets that are not working well, to empower consumers, and to inform business, Government and the public about consumer and competition issues.

Achieve our objectives in partnership

with others including sector regulators, Government, the courts, the Competition Commission, the European Commission, Local Authority Trading Standards Services and businesses and consumers and their representatives.

Develop, promote and attract the best talent

providing a supportive environment in which staff can learn and develop to reach their potential.

OFT structure

This year we have made radical changes to our internal structure in order to be better able to meet the challenges of this new vision and ensure that we are more strategic, focused and coherent as an organisation. See below for a chart of the new OFT structure.

We will concentrate on markets as a whole and use the broad range of tools available to us in order to influence and affect market processes where they are not working to the benefit of consumers. This will be done by:

- grouping together project and enforcement work in three market groupings, covering goods, services and infrastructure, and supported by dedicated merger, cartel and scambuster teams
- a new central policy and strategy function – bringing a consistent and clear view on all major issues
- a new area of our structure which will focus on our role to coordinate and champion the work of Local Authority Trading Standards Services (TSS)
- better and earlier prioritisation of our work through a dedicated preliminary investigation unit and a prioritisation committee
- a new senior management team with a broad span of expertise and experience.

We believe that this new vision coupled with our new structure and new ways of working will optimise our impact and help us to achieve maximum success.

The three outward-facing areas of the OFT will provide more flexibility for future challenges that we will face. The new structure is more strongly focused around markets rather than tools, although we will continue to ensure excellence in the use of our competition and consumer law toolkit.

Policy and Strategy will lead our strategy and policy across its consumer and competition functions. The Policy and Strategy groups are responsible for developing long-term strategy, ensuring greater focus and impact of the OFT's work, and national and international leadership in both competition and consumer policy. Markets and Projects will focus on outcomes which add value to both markets and consumers through

effective prioritisation, investigation and improved legal certainty. The groups will use the entire range of policy and enforcement instruments available to us in tackling problems within markets.

Consumer Advice and Trading Standards (CATS) has been formed in recognition of the important role we play in being the champion for TSS. The focusing of our priorities and allocation of our resources to high-impact work will continue, and the intelligence that we have access to via Consumer Direct, the Regional Intelligence programme, and Scambusters will help us and TSS understand and home in on the areas where we can make the biggest difference in alleviating consumer detriment.

Board:				Chairman Philip Collins	Chief Executive John Fingleton	Executive Committee						
Policy and Strategy Jonathan May				Markets and Projects Sean Williams			Consumer Advice and Trading Standards (CATS) Christine Wade					
Strategy and Planning	Policy Unit	General Counsel's Office	Chief Economist's Office	Enquiries and Preliminary Investigation	Market groupings		Mergers	Cartels	Case Support and Training	Consumer Direct	OFT Plus	Scambusters
					Services	Goods						
Communications Sue Cook				Executive Office Erik Wilson			Operations Bart Smith					
Press Office	Consumer Communications	Business Communications	Library	Private Office	Stakeholder Liaison	Internal Communications	Facilities Management	Finance and Procurement	Human Resources and Talent Management	Information Technology	Risk Management	

Changes to the legislative framework

'We intend to make recommendations to Government as to the steps which can be taken to make private enforcement of competition law more effective.'

Recent years have seen a number of changes to the competition and consumer regimes and there are further changes on the horizon. There is much work for us to do to ensure that these changes are effective and successful for business and for consumers. Some of the issues of most importance for the forthcoming year are as follows:

The Unfair Commercial Practices Directive (UCPD)

UCPD was adopted on 11 May 2005. It must come into force on 12 December 2007. The Directive:

- harmonises unfair trading laws in all EU Member States
- introduces a general prohibition on traders not to treat consumers unfairly. This prohibition is intended to act as safety-net consumer protection legislation.

In particular, the Directive will oblige businesses not to mislead consumers through acts or omissions, or subject them to aggressive commercial practices such as high-pressure selling techniques. The Directive also provides additional protection for vulnerable consumers who are often the target of unscrupulous traders.

We are working very closely with the Department of Trade & Industry (DTI), TSS and with all our stakeholders to ensure that the Directive is implemented successfully.

We plan to publish illustrative guidance on the UCPD (jointly with DTI), and deliver a training programme for TSS and other enforcers ahead of implementation. Additionally, DTI and OFT are planning a coherent and joined-up information campaign, starting before implementation and continuing afterwards.

Private enforcement of competition law

In April 2006, we responded to the European Commission's Green Paper, *Damages actions for breach of the EC antitrust rules*. We have continued to consider the issues and intend to publish a Discussion Paper to inform the ongoing debate. Based on the outcomes of the consultation we intend to:

- make recommendations to Government as to the steps which can be taken at the domestic level to make private enforcement of competition law more effective
- respond to the European Commission's forthcoming White Paper on damages actions for breach of the EC antitrust rules
- take action within the limits of the legal framework in which it must operate, to make private enforcement of competition law more effective.

Consumer Protection Cooperation (CPC) Regulation

The CPC Regulation came into force on 29 December 2006. It creates a network of consumer enforcement authorities across the EU and a series of duties and obligations on those authorities to cooperate to take action against serious breaches of consumer protection legislation and exchange information about apparent breaches.

In the UK the OFT has been designated as the Single Liaison Office (SLO), and as a competent authority for CPC action alongside the Civil Aviation Authority, the Financial Services Authority, the Secretary of State for Health, the Department of Health, Social Services and Public Safety in Northern Ireland and the Office of Communications.

We consulted on our guidance for carrying out on-site inspections under the new Regulation in January 2007 and will publish final guidance early in 2007.

The EU-wide CPC Committee and the UK Enforcement Forum provide the means for regular contact and discussion of key issues of common concern. As the SLO, we will work closely with other Competent Authorities in the UK and around the EU, as well as with TSS in order to ensure that the Regulation is used to best effect.

Consumers, Estate Agents and Redress Bill (CEAR)

The CEAR was introduced in Parliament on 16 November 2006. It was introduced and given its first reading in the House of Commons on 7 February 2007.

The Bill covers three policy areas:

'Consumer Voice' – proposals include a measure to:

- strengthen and streamline consumer representation, by bringing together Energywatch, Postwatch and the National Consumer Council to form a more coherent and effective consumer advocacy body (which will also be called the 'National Consumer Council').

Estate agents – proposals include measures to:

- require estate agents to belong to an independent approved ombudsman scheme which will determine disputes between estate agents and buyers or sellers of residential property in the UK
- require estate agents to keep adequate records of their dealing with clients for six years
- give the OFT and TSS powers to inspect estate agents' transaction files
- give the OFT more scope to consider estate agents' fitness to practice.

These provisions implement a number of recommendations in the OFT's 2004 report on the estate agency market.

Doorstep selling – proposal includes a measure to:

- provide a power to extend to solicited visits the cancellation rights and cooling off period that consumers currently enjoy for unsolicited visits to their home.

We will work closely with Government and stakeholders in the passage of the Bill and its implementation. We will also work to develop the policy and procedures for the new role which the OFT will be taking on in dealing with the applications for approval of ombudsman schemes, and granting that approval, and in the implications of the Bill for Consumer Direct.

Consumer Credit Act 2006

The Act was passed in March 2006 and makes significant changes to the regulatory framework established by the 1974 Consumer Credit Act. These include:

- extending the Financial Ombudsman Service's jurisdiction to cover all complaints about credit products and services
- new unfair relationships provisions enabling consumers to challenge unfair agreements in court
- significant changes to the licensing regime administered by OFT.

Changes to the licensing regime include:

- a revised fitness test which enables us to consider the credit competence of applicants and licensees

- new intermediate sanctions (requirements) to address concerns
- the availability of financial penalties where requirements have been breached.

We will consult on and publish guidance on these new provisions towards the end of 2007.

Macrory penalties review

The Better Regulation Executive (BRE) commissioned report *Justice: Making Sanctions Effective*, published in November 2006, proposed a broad 'toolkit' of flexible administrative and criminal penalties operating within a robust and transparent framework, for regulators and enforcers to promote and enforce regulatory compliance.

We strongly support these proposals, particularly the proposals for flexible criminal sanctions, enforceable undertakings and programmes of restorative justice, and will be working closely with the BRE and other government departments to ensure the successful implementation of legislative changes arising from the report.

Regulatory Compliance Code

The Legislative and Regulatory Reform Act 2006 contains a power to issue a code of practice for regulators. The Government has announced that it will use this power to issue a statutory code of practice – the Regulators' Compliance Code. The Code will enable the Hampton enforcement principles that address regulatory inspection and enforcement to be established in UK law. The Hampton principles are that:

- regulators, and the regulatory system as a whole, should use comprehensive risk assessment to concentrate resources on the areas that need them most
- regulators should be accountable for the efficiency and effectiveness of their activities, while remaining independent in the decisions they take
- no inspection should take place without a reason
- businesses should not have to give unnecessary information, nor give the same piece of information twice
- the few businesses that persistently break regulations should be identified quickly
- regulators should provide authoritative, accessible advice easily and cheaply
- regulators should recognise that a key element of their activity will be to allow, or even encourage, economic progress and only to intervene when there is a clear case for protection.

The Regulators' Compliance Code will apply to regulators' policies, rules, codes and guidance. It will also ensure that regulators give businesses easy access to complaints procedures.

We will take all of these issues into account when devising our enforcement policy for the future.

Hampton implementation review

As the Chancellor announced at the pre-Budget report, the BRE and the National Audit Office (NAO) are developing an external performance review framework with the help and expertise of regulators. The NAO will publish the framework toolkit in Spring 2007.

The review process will provide regulators with structured checks on their performance against Hampton principles and Macrory characteristics. Reviews will be conducted by teams comprising staff from other regulators (peer-review), the NAO and, occasionally, the BRE. Business representatives may also have a role (for example review team or business focus groups). The output of each review will be a report that highlights good practice and areas for improvement. The Financial Services Authority, Food Standards Agency, Health and Safety Executive, Environment Agency, and the Office of Fair Trading will be reviewed using the toolkit by the end of 2007. Other regulators will be reviewed thereafter.

We welcome this initiative along with others mentioned above. We are also committed to producing a departmental simplification plan to support that already published by DTI. We will be working closely with the BRE and others to ensure that all views are taken on board in putting in place an overarching enforcement policy which will embody the OFT's commitment to better regulation.

'We will be working closely with the BRE and others to ensure that all views are taken on board in putting in place an overarching enforcement policy which will embody the OFT's commitment to better regulation.'

Performance framework and objectives

In 2007–08 our proposed objectives are as follows:

Objective 1

To deliver high-impact outcomes

We want to make the most effective use of all of our resources by focusing on those areas of work which will achieve the highest gains, either directly or indirectly.

We will systematically prioritise all work across the office in order to have the highest impact and greatest effect. Specifically:

We will implement and publish a framework for prioritising our work, drawing on intelligence gathered from complaints to the OFT, Consumer Direct and other partners; proactive market monitoring; and project evaluation work.

We will carry out impact evaluations of at least two market interventions (including one market study) and publish the results. We will evaluate the specific impact of consumer campaigns on at least two markets, and report on the results.

In our enforcement work we will concentrate our action on areas where we believe there is the most consumer harm. We aim to focus on preventing and ending serious misconduct and increasing overall compliance levels, either as a direct consequence of our action or through wider deterrence or educational effects. Specifically:

We will continue to root out hard-core cartel activity across the whole economy, paying particular attention to bid rigging in the construction industry. Wherever sufficient evidence can be found, we will not hesitate to use our criminal powers.

We will take preventative, deterrent and disruptive action to prevent mass marketing scams reaching consumers, both through direct enforcement, and by increasing consumer empowerment to identify and protect themselves from scams.

We will use our role as the single liaison office for the Consumer Protection Cooperation Regulation to tackle specific problems of UK consumers. In particular, we will take the lead in developing a pan-European enforcement strategy to deal with the problems of deceptive prize draw notifications and unfair marketing practices by Spanish-based holiday club operators.

Where mergers are not notified to us, we will investigate where we believe consumers may be at risk of adverse consequences flowing from the merger.

We will continue to take action against other forms of anti-competitive agreements and behaviour, with a focus on ensuring clear precedent and effective deterrence.

Our target is to deliver direct financial benefits of at least five times that of our cost to the taxpayer.

We will use our market-wide tools to raise industry standards, increase business and consumer awareness and remedy generic issues of market failure. We will focus on empowering consumers, increasing effective self-regulation, and dealing with structural defects in markets.

We will follow up any recommendations arising from our market studies into the Commercial Use of Public Information, Internet Shopping, and the Pharmaceutical Price Regulation Scheme.

We will work closely with the Competition Commission to develop, monitor and review remedies in any markets which we refer where this is appropriate to their findings. We will also monitor and evaluate remedies implemented to address adverse findings in Competition Commission market investigations to ensure that they are being complied with, are achieving their intended objectives, and remain necessary.

We will develop further, through casework practice, negotiation and consultation with others, our policy on remedies, in particular relating to settlement of public enforcement cases and redress for the victims of unlawful behaviour.

We will monitor the recommendations of the Payment Systems Taskforce, including the establishment of the Payments Industry Association.

We will continue to provide informal assistance in merger cases which raise genuine competition issues and where our involvement will assist business in ways their advisers cannot. Consumers will benefit if pro-competitive mergers are encouraged, and where business can build merger remedies advice into their transaction planning early on.

We will work with stage 1 code sponsors to achieve full approval under the Consumer Codes Approval Scheme.

We will undertake at least two comprehensive reviews of undertakings given or Orders made following Competition Commission investigations.

In our advocacy and policy work we will focus our attention on markets where we believe that regulations may be harmful and unnecessary or market structures hinder competition. We will use our market expertise and experience to influence and educate policy makers, representative organisations and other interested parties in order to ensure that they are aware of issues relating to supply and demand, and that they take account of competition and consumer concerns when they are relevant to their work. Specifically:

We will complete the implementation of the Consumer Credit Act 2006 in a manner that reflects the principles of better regulation: not subjecting compliant businesses to increased regulation and by developing a more sophisticated risk model to assess fitness to hold a consumer credit licence.

We will engage proactively with other government departments, including the devolved administrations, to ensure that forthcoming legislation is no more restrictive of competition than necessary. We will respond to requests for such advice from government departments in an effective and timely manner.

Objective 2

To be a centre of intelligence and excellence

We want to capture, analyse, coordinate and make best use of all of the information, understanding and experience which is available to us, both internally and externally, nationally and internationally, so that we are able to make fully informed decisions and achieve high quality and effective outcomes.

We will monitor markets proactively and systematically, taking account of all market aspects. We will enhance internal systems to ensure that information and knowledge is properly managed and coordinated under our new organisational structure. Specifically:

We will build on and consolidate the new TSS/OFT Regional Intelligence Network to ensure TSS/OFT enforcement action is targeted at the most prevalent problems and rogue traders.

We will continue our analysis of international productivity data to inform the prioritisation of our work. This will include delivery of a 'hotlist' of sectors with relatively low measures of competition and productivity growth.

We will develop a retail banking strategy.

We will work to increase our understanding of the healthcare and pharmaceutical sectors and of transport sectors, especially the bus industry.

We will work to increase our understanding of intellectual property issues and their relationship with competition and consumer policy.

We will put in place internal knowledge management systems to control and disseminate information received from Consumer Direct, TSS and other partners and stakeholders.

We will ensure that we are aware of, and able to influence, the latest developments, innovations and research in policy and enforcement best practice, including engaging with national and international fora. Specifically:

We will hold a public hearing on private enforcement and redress in competition law as a follow up to our recent conference.

We will work alongside other national competition agencies to promote best practice in the investigation of hard-core cartels and other serious infringements of competition law. In particular, we will work closely with HM Treasury, the DTI and the concurrent UK sector regulators to ensure the best outcome from the review of concurrency in competition enforcement.

Our target is to maintain or improve our rating as one of the top consumer and competition authorities in the world as measured by the DTI's 'peer review', the Global Competition Review and other appropriate and recognised measures.

We will work closely with the DTI and the European Commission in order to develop effective policy for our consumer regime, including work on consumer redress, representative actions and the Review of the Consumer Acquis. We will also continue to work closely with the Better Regulation Executive to achieve an optimum sanctions regime as part of the Macrory Review.

We will continue to provide and develop intellectual leadership in our analysis of mergers, especially those involving sophisticated analysis of local markets. We will further develop our practice of integrating law and economics in merger review.

We will complete and publish at least two OFT economic discussion papers on significant and relevant topics, with a view to raising understanding and advancing debate, both internally and externally.

We will undertake critical and transparent analysis of our work, and use the results to inform our work and overall strategy going forward. Specifically:

We will evaluate the impact of the *Taxi Services* market study.

We will publish research into the deterrence effect of our competition policy.

We will publish performance monitoring arrangements for market studies and report on success against the targets in our Annual Report.

We will publish detailed performance monitoring arrangements for Consumer Direct and report on success against these targets.

We will publish estimated consumer savings from our mergers work, based on improved methodologies.

We will inform and educate our partners and stakeholders. Specifically:

We will publish revised mergers procedural guidance in order to improve understanding of our processes, including initial undertakings for completed mergers. We will also issue revised guidance on the concept of 'markets of insufficient importance'.

We will provide guidance and education to business, and business representatives, in order to drive up the average quality of complaints received and increase compliance with competition and consumer law. In 2007–08 we will publish updated guidance on unfair contract terms.

We will raise awareness of our work through training and education campaigns and through advocacy. In particular, we will deliver training for co-enforcers on the Unfair Commercial Practices Directive and Consumer Protection Cooperation Regulation.

We will provide effective education and advice for consumers and businesses, including through Consumer Direct. Specifically:

We will work with intermediaries and partners to support and encourage businesses to comply with the law and provide high standards of customer service. By communicating with consumers and developing our consumer education work through the Alliance, we will empower consumers by securing long-term improvements in consumer skills and knowledge.

We will expand our events work to raise the profile of the OFT and improve our dialogue with stakeholders and partners.

We will develop our proactive work with the media to build the OFT's reputation as an authoritative, intellectual organisation and a key driver of the UK economy, while managing risk to our reputation.

We will continue to work with our international enforcement counterparts to raise awareness of scams.

We will work in partnership with colleague organisations to make best use of common resources in developing communications strategies. In 2007–08 we will work with the DTI to develop communications strategies for the Consumer Credit Act 2006 and the implementation of the Unfair Commercial Practices Directive.

Our target is to demonstrate increased effectiveness of OFT work by engaging the strengths of other bodies and organisations, and by increasing mutual awareness and understanding.

Objective 3

To work in partnership

We want to work together with all of our partners and stakeholders. Our partners are those organisations with which we collaborate to deliver common objectives. Our stakeholders have a direct or indirect interest in our work and how we do it. We want open, honest and effective two-way communication with both groups so that we can ensure that we all work together to achieve common goals, with action being taken by those who are best placed to achieve success, taking advantage of any economies of scale and, where appropriate, the pooling of resources. Where necessary we will seek to take a central, coordinating role and provide leadership, guidance, training and support. Equally, we will need to be ready and able to listen and learn and take action and adapt to others' agendas as appropriate.

We will raise the profile and quality of external engagement across all of our work. Specifically:

We will develop our external liaison strategy and appoint senior level relationship managers for our main partners and stakeholders.

We will introduce internal training and evaluation tools to monitor our partnership success.

We will promote the work of the OFT in Scotland and develop wider relationships through the newly established OFT office in Edinburgh.

We will work with our partners, and influence others, to make markets work well for consumers, including reducing the distortions of markets created by Government actions, working with TSS to ensure a risk-based, proportionate and coordinated approach to their work, and cooperating with sectoral regulators, the European Commission and other National Competition Authorities to ensure effective enforcement of the competition regime in the UK. Specifically:

We will deliver and extend our programme of joint action with TSS to effectively champion the role of TSS across Government. We aim to demonstrate a more consistent and better coordinated service delivery with an increased focus on a risk-based approach. The aim will be a reduction in the administrative burdens placed on business, better promotion of the wellbeing of local communities and improved overall economic productivity and efficiency.

We will, in appropriate cases, work closely with the Serious Fraud Office and the Lord Advocate in Scotland to investigate criminal cartels offences.

We will work closely with the concurrent regulators to ensure the effective enforcement of competition law across all sectors of the economy.

We will look to work more closely with the Cabinet Office and the Better Regulation Executive in order to ensure that negative effects on markets arising from Government policies are minimised.

We will work with co-enforcers and stakeholders to develop a comprehensive policy on the enforcement of consumer law. In particular we will continue to work with the Financial Services Authority on our Joint Action Plan, and with TSS to ensure UK-wide consistency.

In mergers, we will build on relationships with our independent partner agencies, including the Competition Commission and the European Commission to optimise case transfer and knowledge sharing.

Our target is to have a comprehensive career and knowledge development programme for our people.

Objective 4

To develop the OFT as an organisation

We want the OFT to be as efficient an organisation as possible. We aim to make the OFT an employer of choice, by providing a strong framework of training and career management in order to be able to attract, develop and retain highly skilled and motivated people.

We will develop the skills and talent of our staff and the framework in which we operate in order to ensure that we have the necessary human resource and appropriate operational support to achieve our goals.

We will promote a learning culture by providing high-quality training and development opportunities to refresh, maintain and update skills, and facilitate career progression.

We will identify the skills profiles required to deliver the OFT's strategic goals and actively shape the staff profile to match these through ongoing training and career management.

We will promote a culture that values diversity and enables staff to achieve the highest level of their potential.

We will seek to link reward to performance and the delivery of our objectives.

We will promote clear and effective communications with and between all managers and staff.

We will increase secondments between TSS and other partners, including business, and the OFT by putting into place an active exchange programme.

We will develop and expand our capacity to undertake criminal cases.

We will develop our internal systems to promote the effective sharing of our knowledge, including finalising the new PROMOD database system for Consumer Credit Licensing.

Resources

2007–08 will be the final year of a three-year Treasury funding cycle. In negotiating our funding with Treasury, we agreed a flat cash settlement for each of the three years 2005–06 to 2007–08; this comprises £52 million for running costs, £2 million ring-fenced for litigation and £1.4 million for capital investment. We are relying on efficiency improvements and accumulated underspend from previous years to fund any increases in expenditure. The resources for 2007–08 include a £19 million ring-fenced budget for Consumer Direct transferred from the DTI in 2006.

Our efficiency target for this and the following year for existing OFT activities (excluding Consumer Direct) is five per cent per year. Efficiency savings achieved to date are in line with our target of five per cent for 2006–07, and have been achieved through a mix of reducing staffing levels, more efficient procurement and better service delivery. We believe that the programmes we have in place will enable us to achieve the targeted level of savings in 2007–08 while still ensuring agreed service delivery levels. For example, as a smaller department we are benefiting from framework procurement agreements developed by larger departments, which will be a continuing source of improved efficiency for us.

Planned expenditure during 2007–08 is expected to be a total of £55.4 million for core OFT activities (£51.2 million for running costs, £2 million for litigation, £1.4 million for capital and £0.8 million for general reserve). In addition we will spend £19 million on Consumer Direct and the Board may authorise additional expenditure on priorities arising during the year by using some of our accumulated underspend from prior years.

As we aim to take a flexible approach, focusing on outcomes, and analysing and prioritising issues as they arise while still seeking to be proactive, we do not wish to constrain ourselves to setting out an absolute budget allocation at this stage for each area of work for the coming year. However once the Board has agreed budget allocations to each of our high-level operational areas, we will be publishing this on our website.

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