

The Office of Fair Trading is the UK's competition and consumer authority. Our mission is to make markets work well for consumers. We aim for competitive, efficient and innovative markets where standards of consumer care are high and where businesses comply with competition and consumer law but do not face excessive regulation. We took a number of important steps towards this goal in 2006–07, securing major gains for consumers, businesses and the economy. We also completed an internal change programme that has given us a more effective structure and a sharper focus

Executive Summary of the Annual Report and Resource Accounts 2006–07

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Chairman's statement

The past year has been marked by a number of important achievements. By striving to make markets work well, we delivered significant benefits to consumers, businesses and the economy.



At the same time, we embarked on a programme of radical change inside our organisation that is designed to increase those benefits in the coming years. This is allowing us to understand and analyse markets better, and to address problems in the way markets work using the full range of tools and methods of resolution available to us.

The past year also brought welcome changes to the framework within which we operate. For example, the Consumer Credit Act 2006 modernises the regulatory regime governing the provision of consumer credit – a market in which there is significant scope for consumers to be harmed by unfair practices. Meanwhile, the EC Consumer Protection Cooperation Regulation gives the OFT and other European consumer protection bodies new powers to tackle cross-border breaches of consumer law. The European Competition Network Model Leniency Programme, with which we were closely involved, strengthens our hand in tackling hard-core cartels by promoting the adoption of uniform leniency principles.

As part of our change programme, we have improved the OFT's governance by clarifying and separating the roles of the OFT board and our executive management team. As a result, the board

can concentrate on setting our strategic direction and priorities, and monitoring our overall performance, while the executive team focuses on managing our activities.

In addition, we made two significant senior board-level appointments of executive directors Jonathan May and Sean Williams, and in April 2007 we welcomed three new non-executive directors – Bronwyn Curtis, Professor Frédéric Jenny and Alan Giles. They each bring valuable and distinctive perspectives to our discussions. Departing the board this year were Christine Farnish, who stepped down from her role as a non-executive director in July 2006, and Rosalind Wright, who completed her term of appointment in March 2007. I would like to thank them for their commitment and expertise.

During 2006–07, we developed the way we worked in partnership with others – Local Authority Trading Standards Services (TSS), sector regulators, the Government, the Competition Commission, the European Commission and the courts, as well as business and consumer groups.

As part of an expanded remit for the OFT, we began fulfilling our new role as champion and regulatory leader of TSS, and took management responsibility

for the Consumer Direct advice service. We also began realising the benefits of leading the Consumer Education Alliance. We are increasingly looking to develop innovative initiatives to empower consumers with the knowledge and skills they need to make buying decisions that reward competitive and efficient businesses. Of particular note was our cooperation with the Financial Services Authority on matters of common regulatory interest. One outcome was our joint work on payment protection insurance, which led to a reference to the Competition Commission.

Of course, there remains much to do. We need to continue to develop our levels of expertise, demonstrate our commitment to excellence and innovation, promote strong and effective engagement with stakeholders and broaden and deepen our work with our partners. These are just some of the challenges ahead as we continue our journey towards being regarded as a world-leading consumer and competition authority.



Philip Collins
Chairman

Chief Executive's statement



Our work in 2006–07 was extensive and varied. We continued to make targeted and proportionate interventions in markets to improve competition and protect consumers. We did this against the background of new legal powers and operational responsibilities and a major internal change programme.

As the UK's consumer and competition authority, our mission is to make markets work well for consumers. 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 a way that benefits consumers and the wider economy.

Government must also avoid disproportionate restrictions of competition, and intervene to protect consumers from unfair and exploitative conduct. We need to influence the behaviour of consumers, businesses and government – using every tool at our disposal – in order to drive productivity growth and consumer welfare.

The OFT is not for the most part a regulator: our direct regulatory powers primarily relate to consumer credit licensing. The bulk of our work consists of analysing and studying markets, enforcing competition and consumer protection law, undertaking advocacy, and working with partners to raise standards and to deliver relevant education programmes to businesses and consumers.

Our wide-ranging remit produced some notable results in 2006–07. Consumers benefited significantly when UK credit card issuers cut their default charges – the majority by almost half – as a result of pressure we put on them. We acted against price-fixing and bid-rigging in a number of markets, and put a stop to misleading promotions and other mass-marketed scams arising from the UK and overseas. Our flexible approach to enforcement paved the way for resolution of a competition case against 50 independent schools, and to the development of a fast-track procedure for companies implicated in our two-year construction cartel investigation.

We referred the markets for groceries, payment protection insurance, and the supply of airport services by BAA to the Competition Commission. We further identified potential benefits to the economy of around £500m a year from improved competition in the supply of public sector information, and the release of a similar amount for the NHS from improvements in the purchasing of pharmaceuticals. Our first-phase review of mergers delivered high-quality decisions within a tight timescale, and resolved a number of complex issues and cases without a Competition Commission reference.

As a result of our new strategic partnership with Local Authority Trading Standards Services (TSS), we now have a joint action plan for delivering better regulation for consumers and businesses at a local level. On top of this, Consumer Direct, which came under our operational control during the year, provided high-quality advice to almost 1 million consumers.

We also achieved efficiency savings within our own organisation of five per cent – or £2.5m – in line with our target for the year. We did this primarily by reducing staff posts and making savings on external contracts.

The OFT aspires to have a measurable positive impact on consumers, and overall we have a good record of success. But we believe we can aim even higher in terms of our economic impact.

A key feature of the reorganisation we underwent this year is that it created market-focused project and enforcement teams – a departure from our previous structure, under which work was organised around our legal instruments. Our new model enables us to assess evidence of market failure and illegal activity more holistically, looking at consumer and competition issues together, while improving our knowledge of specific markets and consumer and business behaviour.

We have also changed how we prioritise and allocate our resources, and established a new unit to deal with all enquiries and preliminary investigation. A new market monitoring function will analyse intelligence from enquiries, Consumer Direct and other sources to detect signs of market failure. Early identification of issues and comprehensive analysis of their causes and effects are vital if we are to select the right tools to address market problems.

In tandem with our internal changes, we have agreed new performance targets with the Treasury as part of our Comprehensive Spending Review settlement for 2008 to 2011. For 2007–08 we have set objectives which lay the foundation for meeting our future challenges. Our new targets differ from our previous goals in that they focus on actual market outcomes (for example changes in consumer, business and government behaviour) rather than outputs (for example the number of cases or studies we undertake). In addition they commit us to delivering measurable benefits to UK consumers of at least five times our annual budget.

Reports from the National Audit Office and the House of Commons Public Accounts Committee on our competition enforcement work stimulated much of this change. In line with the two bodies' recommendations, we have published criteria for deciding which cases we will take on, and adopted a range of measures to improve our operational effectiveness. The subsequent refocusing of resources on high-priority cases prevented us achieving some of the key performance indicators set out in our 2006–07 annual plan. For instance, on resource grounds we closed a number of investigations, as a result of which we made fewer Competition Act decisions than we had originally anticipated. Such case closure demanded considerable investment of time and effort, but we considered it a necessary step towards focusing our resources on high-priority investigations.

During 2006–07, we also undertook significant work to evaluate the impact of our actions, for example by calculating the savings to consumers resulting from our enforcement work and market studies, and the efficiency gains from our coordination of TSS regulatory activity.

The early results were encouraging. An independent review of our completed market study into new car warranties calculated that private consumers and fleet operators saved between £120m and £170m over a two-year period as a direct result of our inquiry. This compared with our expenditure of £300,000 on the study and follow-up activities. A separate assessment of the training we provided to our TSS partners in the use of the Enterprise Act found that it delivered efficiency savings for local government of £5m a year, at an annual cost to the taxpayer of just £150,000.

I'm confident that we have the organisation and people to fulfil our mission – the next year will be one of further significant achievement.

The policy and legislative environment in which we operate changed significantly during the year – and there is further change on the horizon. The Unfair Commercial Practices Directive, which harmonises unfair trading laws in all EU member states, is due to be implemented in UK law in April 2008. We are working closely with the Department of Trade and Industry, TSS and all our stakeholders to ensure that this important legislation is implemented effectively. We are also preparing for further progress on the Government's Better Regulation agenda arising from the Macrory review of administrative and criminal penalties, the Hampton implementation review, and the introduction of the Regulators' Compliance Code – all of which have implications for our enforcement strategy.

Private actions under competition law will be another pressing issue. The publication of a European Commission Green Paper has triggered considerable discussion on how damages actions for breaches of antitrust law can be facilitated within member states. We will continue to lead this debate in the UK and will make recommendations to the Government on possible next steps. In the meantime we will do what we can, within the limits of the existing legal framework, to make private actions an effective complement to our public enforcement work.

In responding to these various challenges, we will need to demonstrate a clear grasp of the issues facing markets and the UK economy, and a commitment to delivering quality outcomes in a timely manner. Most of all, we must ensure that our work makes a real difference. I'm confident that we have the organisation and people to fulfil our mission – and that the next year will be one of further significant achievement.



John Fingleton
Chief Executive

Highlights

High-impact work

Credit card default charges

UK credit card issuers announced that they would substantially reduce their default charges on credit cards in response to pressure we brought to bear on them. This is a tremendous achievement. We used our statement of principles to spur a change in market practice, providing practical guidance to card issuers while protecting consumers from being charged unfair amounts.

BAA airports

Our market studies work has considered important and complex issues. We referred the following markets to the Competition Commission (CC) for further investigation:

Groceries

- supply of airport services by BAA, after our market study found evidence of high charges and poor customer satisfaction

Payment protection insurance

- supply of groceries, a sector with annual sales of around £120bn
- payment protection insurance, after our study concluded consumers are getting a poor deal and less protection than they think.

Pharmaceutical Price Regulation Scheme

Following our market study into the Pharmaceutical Price Regulation Scheme, we recommended that the scheme be reformed to deliver better value for money for the NHS and focus business investment on drugs that have the greatest benefits for patients.

Savings to consumers

We estimate that each year OFT merger control saves consumers around £52m, based on undertakings in lieu of reference and published CC decisions for 2006–07. In addition, we estimate that each year enforcement action leading to infringement decisions under the Competition Act saves consumers £64m.

Cartels

As a result of our investigation into collusive tendering by construction companies in England, we have uncovered evidence of bid-rigging in thousands of tenders with a combined estimated value approaching £3bn. At the end of March, we announced our intention to fast track the investigation by making an offer of reduced financial penalties.

Mergers

In mergers, we delivered a strategic win for the UK regime in *Celesio v OFT*, an appeal of our *Boots/Unichem* remedies decision, which the Global Competition Review described as “an exceptional example of a robust stance on a controversial merger”. This challenge aside, we ensured timely, litigation-free outcomes in complex cases such as *NASDAQ/ London Stock Exchange*.

Leadership and innovation

Consumer Direct

In our first year of managing Consumer Direct (the government-funded telephone and online service offering information and advice on consumer issues), it received over 1.7 million contacts from consumers. The service has begun to influence consumer behaviour, making consumers more confident in dealing with consumer issues. Consumer Direct is also an enormous asset to the OFT as it offers us new intelligence and insight into the nature and source of consumer detriment.

Local Authority Trading Standards Services (TSS)

In addition, it provides useful information to Local Authority Trading Standards Services (TSS). Our partnership with TSS has been key to delivering a good service to consumers and businesses through a risk-based, proportionate and coordinated approach to enforcement. In parallel with this, we have developed a programme of joint action that is beginning to give effect to our new enhanced role as a national voice and advocate for TSS.

Schools settlement

We resolved a competition case against 50 independent schools as a result of which a charitable trust was set up by the schools concerned to distribute settlement funds, which will total £3m, to the pupils affected. This settlement is a good example of the OFT being innovative and pragmatic. We have improved compliance, given consumers the ability to obtain redress and used enforcement resources efficiently.

Individual Voluntary Arrangements

We took a market-wide approach to the advertising of Individual Voluntary Arrangements. We were also proactive in taking steps to warn companies who were not complying with misleading advertising regulations and our debt management guidance. The work was carried out over three months, resulting in the majority of businesses agreeing to change their advertising.

Fast-track settlement procedure

As described under 'High-impact work', we continued our ground-breaking approach to seeking speedier resolution of large-scale cartel cases by offering a fast-track settlement procedure to companies involved in our construction cartel investigation.

Intervention in House of Lords case

For the first time, we were granted leave to intervene in the House of Lords (in connection with a private action involving public house leases). We made submissions on points of EC competition law.

Scams

In our work to combat mass-marketed scams, we continued to use a combination of targeted enforcement, consumer education and partnerships to promote consumer confidence in markets and ensure wider compliance.

Consumer education

We held a second meeting of the Consumer Education Alliance. The event brought together over 100 Alliance members from the public, private and voluntary sectors, together with a strong representation from TSS.

Building for the future

Legislative and policy changes

We have been closely involved in a number of legislative and policy changes, ensuring consistency and best practice, such as:

- the Consumer Credit Act 2006, which modernises the regulatory framework for consumer credit
- the Consumer Protection Cooperation Regulation, which gives new powers to consumer protection bodies to tackle cross-border breaches of consumer law
- the Unfair Commercial Practices Directive, which introduces a general duty not to trade unfairly
- the European Competition Network Model Leniency Programme, which seeks to harmonise leniency programmes across the European Union and facilitate the reporting of cross-border cartels.

Private actions

We hosted a workshop on private actions under competition law, bringing together around 60 leading figures in the competition field. We subsequently published a discussion paper, in April 2007, to inform the ongoing debate and provide the basis for further significant contributions to making private actions more effective.

Healthcare

We hosted a conference on healthcare to engage stakeholders and identify more clearly the issues that affect competition in healthcare provision and cause consumer detriment.

Economic research papers

We published four economic research reports on important and topical issues, each of which has made a key contribution to increased economic understanding and stimulated substantial debate. These covered the link between competition and productivity, the competitive implications of buyer groups, competition in markets with commission rates, and the error costs associated with Article 82 intervention/non-intervention.

Better regulation

Working towards better regulation, we took up the challenge of the Hampton report to provide leadership to TSS, agreeing and taking forward a joint programme of action with them. We also contributed substantially to the Macrory review of regulatory sanctions, the Rogers review, the proposed creation of a Local Better Regulation Office, and the development of the Regulators' Compliance Code.

Evaluating our performance

Car warranties

The evaluation of the OFT market study into new car warranties estimated that private consumers had saved £30m over a two-year period as a direct result of our inquiry, while fleet operators had benefited to the tune of between £90m and £140m. This compared favourably with the £300,000 we spent on the market study itself and on follow-up activities, such as a consumer information campaign.

TSS training

An independent evaluation of the OFT training provided to TSS in the use of the Enterprise Act 2002 found that the training provided efficiencies for local government of £5m per year even though the total cost of the support is £150,000 per year.

Consumer Codes Approval Scheme

A recent evaluation of the OFT Consumer Codes Approval Scheme suggests that the scheme delivers consumer benefits with minimal extra burdens for businesses that are signed up to OFT-approved codes of practice.

Clarifying the law

Limits to power of Competition Appeal Tribunal

We continued to be involved in high-level litigation, including 12 cases before the Competition Appeal Tribunal (CAT) and High Court. We have had a number of successful appeals. We intervened successfully in the Court of Appeal to establish limits to the powers of the CAT to give direction to regulators (Floe Telecom case).

Toys and games

We also had successful appeals in three linked cases relating to price-fixing in the toys and games market and in the supply of replica football kit. Of course, we hope to be successful in all our appeal cases, but it is also important that we bring cases in the higher courts where the clarification of the law for business and/or consumers is necessary or desirable.

Football kit

Section 75 Consumer Credit Act

A Court of Appeal ruling in March 2006 confirmed that section 75 of the Consumer Credit Act applies to overseas purchases, thus overturning a previous decision by the High Court. However, in January 2007, the House of Lords granted permission for the Court of Appeal's ruling to be appealed, and we await the hearing in autumn 2007.

About the OFT

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.

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.

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.

Better regulation

The OFT is not a regulator in the traditional sense, and our direct regulatory powers are restricted to the Consumer Credit Licensing regime. We aim in all of our action to take a risk-based approach to intervention in markets, using robust enforcement where necessary and for deterrence purposes, but also looking to work closely with business and consumers to raise compliance and awareness levels.

Regulatory Impact Assessments

The OFT does not sponsor legislation and has not been responsible for any regulatory proposals which required a Regulatory Impact Assessment (RIA) during 2006–07. However, we assist regulatory departments in central and devolved government by providing advice on the competition assessment part of their RIAs.

Alternatives to classic enforcement

The OFT has powers and duties under various statutes, which are administered in accordance with the statutory requirements. Where the law provides flexibility, we adopt a proportionate approach to enforcement. Examples include:

- acceptance of undertakings in lieu of merger and market investigation references where we can identify a comprehensive solution to perceived competition problems
- acceptance of undertakings from traders believed to have infringed consumer protection legislation where we believe this would secure compliance with the law in future without the need for court action
- acceptance of commitments in certain circumstances involving possible breaches of the Competition Act instead of proceeding with a view to adopting a formal infringement decision

- agreed outcomes in infringement cases where appropriate.

We support self-regulation by business. Codes approved under the Consumer Codes Approval Scheme are operated by sponsoring bodies, such as trade associations, and deliver benefits to consumers above those required by law. Approved consumer codes represent a model of self-regulation that is attracting a great deal of interest both within the UK and abroad.

Consultation

Although we do not make new regulations, we aim to follow the principles of the Cabinet Office's code of practice on consultations.

During the financial year, we concluded a number of relevant consultations. These were primarily on draft guidance documents, on which detailed comments were sought from knowledgeable stakeholders.

We were also active in responding to consultations by other government departments. This is an effective way of ensuring that competition and consumer protection issues are properly considered in government policy-making. Notable examples were our response to the European Commission's Green Paper on damages actions for breach of EC antitrust rules (May 2006), and DTI consultations on strengthening and streamlining consumer advocacy

(April 2006), representative actions in consumer protection legislation (October 2006), and framing and enforcing criminal sanctions in the regulations implementing the Unfair Commercial Practices Directive (February 2007).

OFT consultations and our responses to consultations:
www.oft.gov.uk

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. This would enable regulators and enforcers to promote and enforce regulatory compliance within a robust and transparent framework.

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

Regulators' 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 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 in 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 in review teams or 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 OFT will be reviewed using the toolkit by the end of 2007. Other regulators will be reviewed thereafter.

OFT vision

Our vision is to:

1

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.

2

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.

3

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.

4

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.

5

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	

The board

The OFT board is principally responsible for strategic direction, policy, priorities and performance monitoring. All but the most significant operational and enforcement decisions are delegated to the executive management team, who are accountable to the board.

Marking a new phase in the evolution of the OFT's governance structure, we have appointed three new non-executive directors, and two executive directors. The executive director posts are new to the structure, and their purpose is to strengthen both the board and the executive. Christine Farnish stepped down from her role as a non-executive director in July 2006, and Rosalind Wright completed her term in March 2007.



Philip Collins



John Fingleton

Chairman

Philip Collins became Chairman of the OFT in October 2005. He is a solicitor who has practised in UK and EU competition law for more than 30 years. He was formerly a partner in international law firm Lovells where, in 1978, he was the first partner appointed to specialise in competition law. He went on to be made head of the firm's competition and EU law practice. Subsequently, he was Senior Counsel at Wilmer Cutler Pickering Hale & Dorr LLP, based in Brussels. He was one of the founders of the Competition Law Forum at the British Institute of International and Comparative Law.

Chief Executive

John Fingleton became Chief Executive of the OFT in October 2005. He had previously been Chairperson of the Irish Competition Authority since May 2000. Prior to that, he taught economics at Trinity College, Dublin, and held visiting positions at universities in Brussels and Chicago.



Allan Asher



Lord Blackwell

Non-executive directors

Allan Asher is Chief Executive of energywatch. Previously he was the Campaigns Director of the Consumers' Association. He is also Director of the Foundation for Effective Markets and Governance in Canberra, Australia, and Chair of the Consumer Policy Committee of the British Standards Institute.



Richard Whish



Bronwyn Curtis

Lord Blackwell is non-executive Chairman of Interserve plc and a non-executive director of Standard Life plc and Slough Estates plc. He is also an adviser to KPMG Corporate Finance, and Chairman of the Centre for Policy Studies. He was formerly head of the Prime Minister's policy unit and Director of Group Development, NatWest Group.



Alan Giles



Professor Frédéric Jenny

Richard Whish is Professor of Law at Kings College, London, where he has worked since 1991. He was in legal practice, as a partner, from 1989 to 1998, and continues to act as a consultant on competition law. He has extensive experience of advising governments and NGOs on the development of competition law.



Sean Williams



Jonathan May

Non-executive directors – commencing 1 April 2007

Bronwyn Curtis is a business economist who has worked in a number of commodity, trading and financial sectors. She is currently the Chairman of the Society of Business Economists, a partner in Arch Financial Products LLP and a member of the shadow Monetary Policy Committee for The Times. She was previously Managing Editor and a columnist in Europe for Bloomberg LP. Mrs Curtis has, in the past, held various economics, strategy and management roles at Nomura, Deutsche Bank and Masterfoods.

Alan Giles has many years' experience in retail businesses. He is currently Chairman of Fat Face Limited and a non-executive director of Rentokil Initial PLC and Wilson Bowden PLC. He was formerly Chief Executive Officer of HMV Group PLC, Managing Director of Waterstone's Booksellers Ltd and an executive director of WH Smith Group plc.

Professor Frédéric Jenny is Professor of Economics at ESSEC Business School in Paris. He is currently Conseiller en Service Extraordinaire, Cour de Cassation (Member of the French Supreme Court) and Chairman of the OECD Competition Law and Policy Committee. He was closely involved in the establishment of what is now Conseil de la Concurrence (Competition Council) in France and latterly became its Vice-President.

Executive directors

Sean Williams will join as an executive director for Markets and Projects in June 2007. He was previously Competition Partner and board member at Ofcom. Prior to that, Sean was a partner in LEK Consulting, a special advisor at the Prime Minister's policy unit and previously held senior management positions in the private sector.

Jonathan May became an executive director of Policy and Strategy in October 2006. He was previously Director of Markets and Policy Initiatives. He joined the OFT in 2001 following two and a half years as Director of UK Competition Policy at the Department of Trade and Industry. He previously worked at the Treasury with responsibility for handling competition, utility regulation and energy issues.

Senior staff



Bart Smith



Christine Wade

For the financial year 2006-2007, the senior management team was composed entirely of permanent civil servants, all of whom were members of the Senior Civil Service. Their appointments were made under the terms of the Civil Service Management Code. The Senior Director for competition, Vincent Smith, and Director of communications division, Mike Ricketts, left the OFT (in March 2007 and July 2006 respectively).

Chief Operating Officer

Bart Smith joined the OFT as its first Chief Operating Officer in April 2005 and leads the Corporate Services teams. After studying in the US, he joined the US Securities and Exchange Commission as a financial economist. He then came to Britain and worked for several companies including Coopers and Lybrand. He joined PricewaterhouseCoopers in 1997 where he was most recently Director of Performance Improvement Consulting.

Assistant Chief Executive, Consumer Advice and Trading Standards

Christine Wade was previously Director of the OFT's Consumer Enforcement division and, prior to that, Director of Co-regulation and Co-ordination within the division. She was President of ICPEN (International Consumer Protection Enforcement Network) 2004-2005. A former head of Essex Trading Standards Service, she was awarded an MBE for her services to Trading Standards in 2002.

General Counsel

Brian McHenry has been General Counsel to the OFT since 2006, having previously been its Solicitor since June 2004. He joined the Treasury Solicitors Department in 1978 and had two spells at the Competition Commission (formerly the Monopolies and Mergers Commission) including from 2000 to 2004 as its Chief Legal Adviser.

Acting Director, Communications

Sue Cook is Acting Director of Communications. Her previous role at the OFT was as head of publicity, marketing and consumer education. Before joining the OFT in 2000, Sue led communications teams for Lewisham and Medway Councils. She was previously joint Managing Director of a communications company providing services for financial and public sector organisations.

Chief Economist

Amelia Fletcher has been Chief Economist at the OFT since 2001. She was previously an economic consultant working on competition policy issues at Frontier Economics, and before that London Economics. She is a member of the Council of the Royal Economic Society.



Brian McHenry



Sue Cook



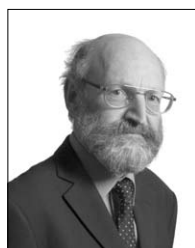
Amelia Fletcher



Daniel Gordon



Ali Nikpay



Alan Williams

Corporate governance and risk management

The OFT is committed to ensuring a high standard of corporate governance. The OFT board has responsibility for defining strategy and determining resource allocations to ensure the delivery of the OFT's objectives.

Executive management team

The executive focuses on managing our activities. From October 2006, executive members were John Fingleton, Jonathan May, Bart Smith, Christine Wade, and Daniel Gordon.

Audit committee

During the financial year ending 31 March 2007, the audit committee comprised independent members Nigel Matthews, Sir Geoffrey Owen and Tim Head, board member Lord Blackwell and executive member Christine Wade. It was chaired by an independent member, Nigel Matthews.

Acting Senior Director, Infrastructure

Daniel Gordon joined the OFT in 2003. Until last year he was Director of Market Studies. He joined the OFT from HM Treasury where he had responsibility for a range of issues in the areas of private and public sector productivity. He was previously an economic adviser at the Competition Commission and before that he was an economic consultant.

Senior Director, Advisory Policy and International

Ali Nikpay became Senior Director of Advisory, Policy and International in October 2006, having previously been the Senior Director for Policy and Case Scrutiny. He previously worked in private practice at Clifford Chance and also served at the Directorate General for Competition at the European Commission. He is a visiting fellow at the London School of Economics where he teaches European competition law.

Acting Senior Director, Services

Alan Williams became acting Senior Director of Markets and Projects (Services) in December 2006. He was previously a Director in the Competition Enforcement Division. Prior to joining the OFT in January 2000, he had worked for around five years as an Inquiry Director at the Competition Commission. His earlier career was spent mainly in HM Treasury where his work included public procurement, government IT and public expenditure control.

Directors

Services	Cartels	Operations
Harsha Shewaram Ray Hall Robin Finer Simon Brindley	Simon Williams	Darryl Fernandez Ray Watson
Goods	Advisory, Policy and International	Consumer Advice and Trading Standards
Louis Christofides Christiane Kent Ann Pope Graham Winton Jessica Farry	Sean-Paul Brankin Colin Brown Paul Gurowich	Christine Cryne David Fisher
Infrastructure	Mergers	Chief Economist's Office
Frances Warburton	Simon Pritchard	Tony Donaldson
Executive Office	Enquiries and Preliminary Investigations Centre	
Erik Wilson	Cavendish Elithorn	

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