

Watchdog: CMA cracks down on expensive pet care with market investigation

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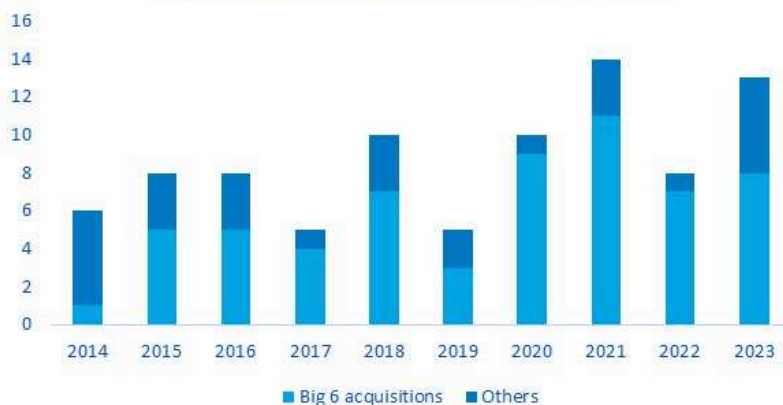
The UK Competition and Markets Authority (CMA) yesterday (23 May) announced the launch of a full-fledged market investigation into veterinary practices, which it said may lead to remedies, including divestitures. The latter would be in addition to those required in recent merger control cases.

The CMA uses its market investigation tool about once a year (20 investigations since 2002) and the agency currently has three open market investigations. Aside from the one launched yesterday, it is also looking into mobile browsers and cloud gaming (opened in 2022) and cloud services (opened in 2023). While the other two probes focus on national markets with few players, the veterinary sector is characterised by local markets with a large number of players. Or so it used to be.

One issue the CMA found following its initial review into the sector, is that the market has become increasingly concentrated, with the six largest groups – CVS Group, IVC, Linnaeus, Medivet, Pets at Home and VetPartners – now operating 60% of veterinary practices in the UK, compared to 10% in 2013.

Mergermarket data show 87 UK veterinary services deals over the past 10 years, worth some GBP 5.8bn. The six groups mentioned by the CMA accounted for 60 acquisitions, according to the data. The CMA in recent years called in a range of acquisitions by CVS, IVC and Medivet, and obtained divestments of local clinics.

UK veterinary services deals, 2014-2023



 PROPRIETARY

Sector: Medical
Topics: Watchdog, Abuse Of Dominance/Single Conduct

Grade: Confirmed

Companies

Pets At Home Group Plc
CVS Group Plc
Independent Vetcare Ltd
Linnaeus Group Ltd
VetPartners Ltd
Medivet Partnership LLP

Agencies

German Competition Authority – German Federal Cartel Office Bundeskartellamt (BKartA)
Swedish Competition Authority – Konkurrensverket
Dutch Competition Authority – Autoriteit Consument En Markt (ACM)
UK Competition And Markets Authority (CMA)

There are no files associated with this Intelligence

Another key focus of the CMA's forthcoming market investigation will be whether consumers get the information they need to make informed decisions. In addition, the CMA will look at whether profits earned are consistent with levels expected in a competitive market, whether vet businesses may limit their offerings, and if the regulatory framework is preventing the market from functioning efficiently.

The issues of opaque pricing and local concentration were also looked at in the CMA's funerals market investigation that was launched in 2019. That two-year probe led to a package of 'sunlight remedies', requiring businesses to display standardised price lists. The CMA mentions something along those lines among its examples of potential remedies in the vet case as well, together with imposing maximum prescription fees or even forced divestments.

In the meantime, the CMA advises pet owners to "look further than the closest vet"; to "ask if there are other treatment options"; and, if it is not urgent, to "consider buying the medication elsewhere".

Yesterday's announcement follows a speech by CMA Non-Executive Director Martin Coleman earlier this week at a Swedish conference, in which he touted the use of the market investigation tool. Coleman, who chairs the inquiry group's overseeing market investigations, said that the tool is a means to an end – i.e. well-functioning markets – and fills gaps that other competition tools cannot address.

The market investigation tool is also coveted by other agencies: Germany's Bundeskartellamt last year gained the power to carry out market investigations, and smaller jurisdictions, like Sweden and the Netherlands, are looking at introducing it. The Dutch competition authority has seen similar issues in the veterinary sector, as reported.

At the same time, market investigation powers are not enough to tackle problems in some digital markets, according to Coleman. To address this, the UK is poised to gain *ex ante* powers to regulate digital markets under the Digital Markets, Competition and Consumers Bill.

In the EU, this might not be needed since the Digital Markets Act (DMA) already exists, but other agencies may well follow the UK's example.

by Luuk de Klein
