

14. BUSINESS GROUP – KNOWLEDGE OF THE LAW

14.1 KNOWLEDGE THAT CARTEL CONDUCT IS AGAINST THE LAW

F1a Intro

In this next section, we have a few more business scenarios that we'd like you to consider very carefully...

F1a. Lee, a sales manager at Brick Company, considers whether to get together with representatives from companies that compete with Brick Company to agree on product prices for the next year. Brick Company is currently experiencing growing sales and revenues in an industry that is economically healthy. Lee's conduct would boost revenues further and therefore result in a very positive impression of Lee by top management.

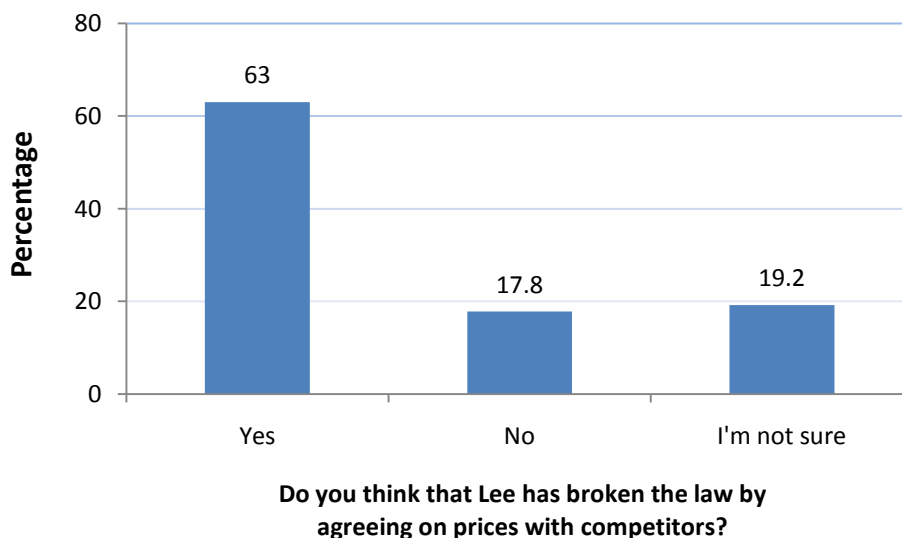
Lee decides to meet with representatives from competitor brick companies to agree on the prices for the next year. As a result brick prices rise throughout the big city in which Brick Company and its competitors are based. This means that governments, companies and individuals all have to pay more for new buildings and houses and Brick Company makes millions of dollars in extra profits.

Please answer the next questions given what you think the law **ACTUALLY IS**, rather than what you think the law **SHOULD BE**.

Do you think that Lee has broken the law by agreeing on prices with competitors?

1. Yes
2. No
3. I'm not sure

Figure 14.1 Do Business group respondents know that price fixing is against the law?¹



¹ n=567, total Business group.

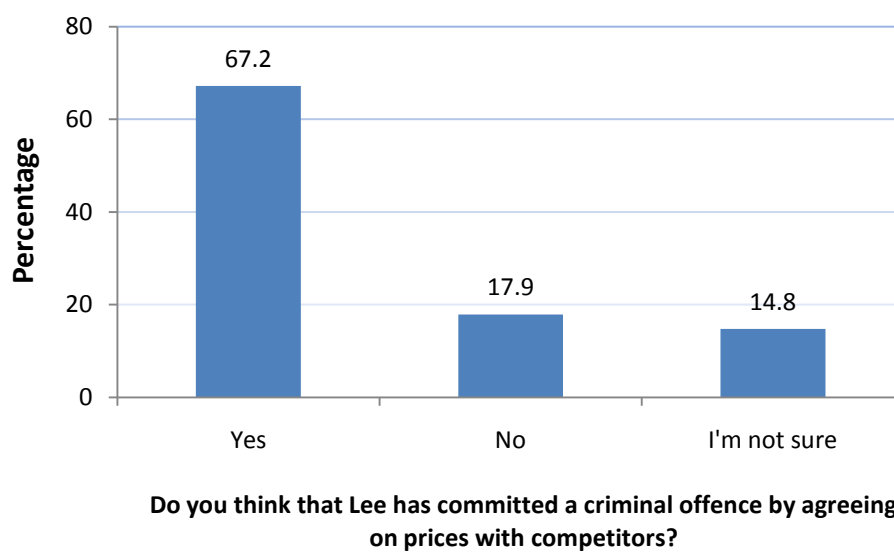
Comments

Only 63% know that Lee has broken the law by meeting with representatives from competitor brick companies to agree on the prices for the next year.

14.2 KNOWLEDGE THAT CARTEL CONDUCT IS A CRIMINAL OFFENCE

F1b. Do you think that Lee has committed a criminal offence by agreeing on prices with competitors?

Figure 14.2A Business group respondents' knowledge that price fixing is a criminal offence?²

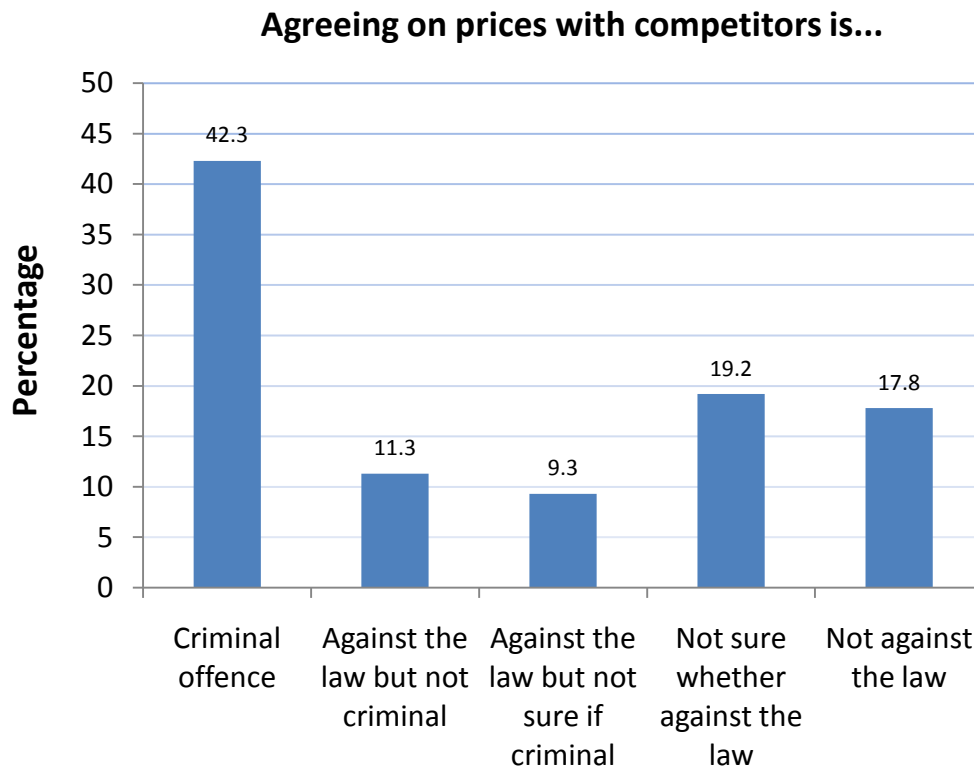


Comments

Of the 63% who knew that Lee had broken the law by agreeing on prices with competitors, we went on to ask whether they thought that Lee had “committed a criminal offence by agreeing on prices with competitors”? Only 67.2% of the 63% know that Lee has committed a criminal offence.

² n=357 (63% of 567), respondents who answered ‘yes’ to previous question: ‘Do you think that Lee has broken the law by agreeing on prices with competitors?’ i.e. shown as a proportion of those who do know cartel conduct is against the law).

Figure 14.2B Summary of Business group respondents' knowledge of law³



Comments

Figure 14.2B summarises the knowledge of the whole Business group. Only 42% (less than half) of the whole Business group know that agreeing prices with competitors is a criminal offence. The remaining 58% do not know it is a criminal offence. Of the total group, 37% believe either that it is not against the law at all or are not sure whether it is against the law, while 20.6% know it is against the law but either think it is not a criminal offence or are not sure whether it is a criminal offence.

³ n=567, total Business group.

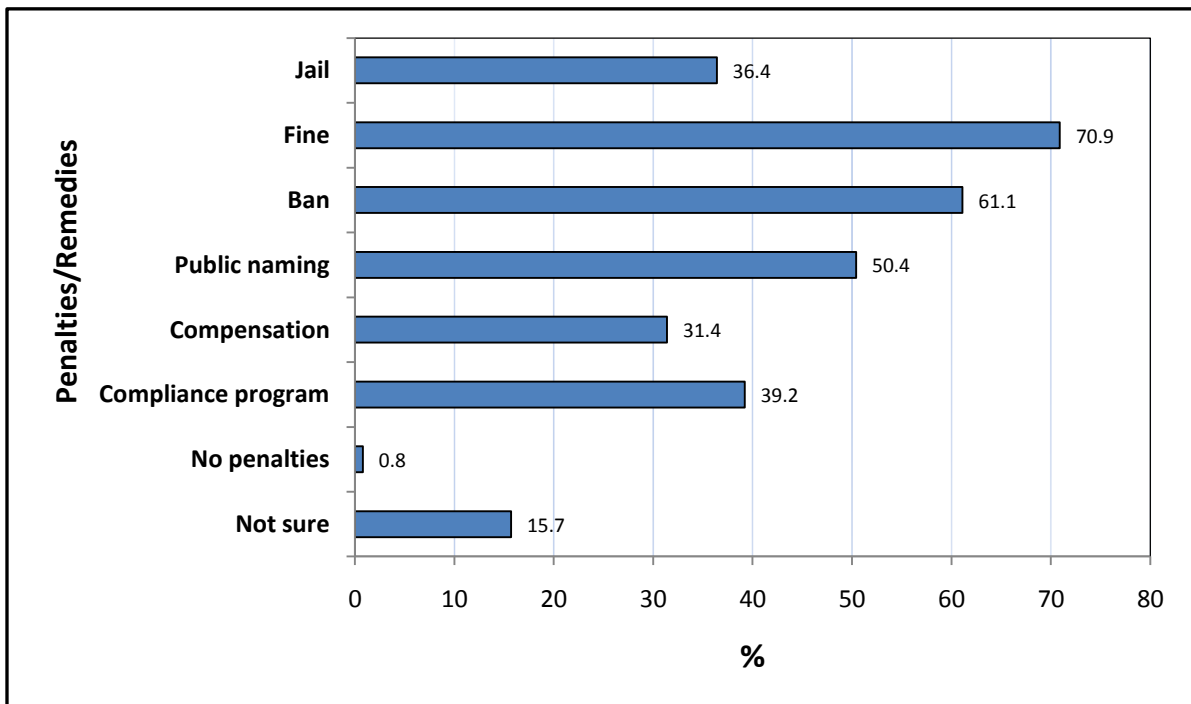
14.3 KNOWLEDGE OF PENALTIES AVAILABLE FOR CARTEL CONDUCT

F1c As far as you know, what penalties are available under the law for someone like Lee who agrees on prices with competitors?

Please answer according to what you think the law **actually is**, rather than what you think the law should be. *Please mark all that apply*

1. Lee could be sent to jail
2. Lee could have to pay a fine
3. Lee could be banned from being a director or manager of any company for a number of years
4. Lee could be publicly named (e.g. on the TV news) as having been involved in the conduct
5. Lee could have to pay compensation to anyone who suffered loss or damage as a result of the conduct
6. Lee could be forced to take measures to ensure the conduct did not happen again (e.g. by taking part in a training program), or
7. No penalties would apply
8. I'm not sure

Figure 14.3A Do Business group respondents know what penalties are available under the law for someone like Lee who agrees on prices with competitors?⁴

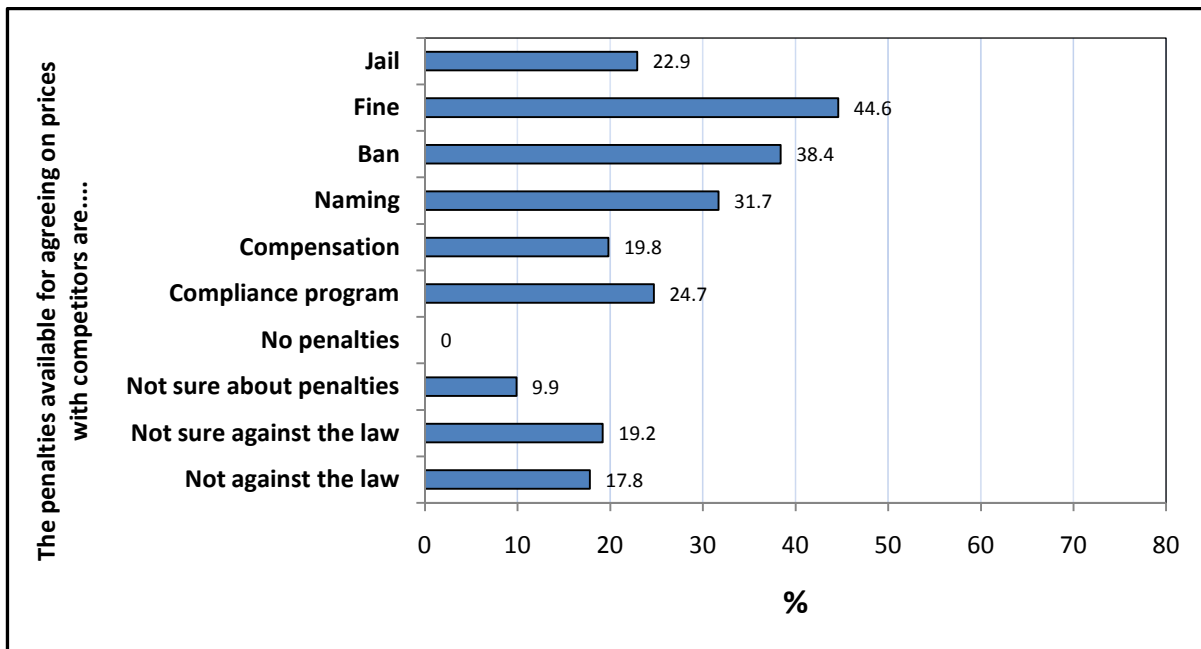


⁴ n=357 (63% of 567), respondents who answered 'yes' to previous question: 'Do you think that Lee has broken the law by agreeing on prices with competitors'? Shown as a proportion of those who do know price fixing is against the law.

Comments

Of the 63%, who thought that Lee had broken the law we also went on to ask: “As far as you know what penalties are available under the law form someone like Lee who agrees on prices with competitors?” Respondents could choose as many responses as they liked from a list. Only 36.4% (just over a third) of those who thought price fixing was against the law thought that jail was available as a penalty for this conduct. 70.9% of those who thought price fixing was against the law thought that a fine was available as a penalty.

Figure 14.3B Summary of Business group respondents’ knowledge of penalties available under the law for someone who agrees on prices with competitors⁵

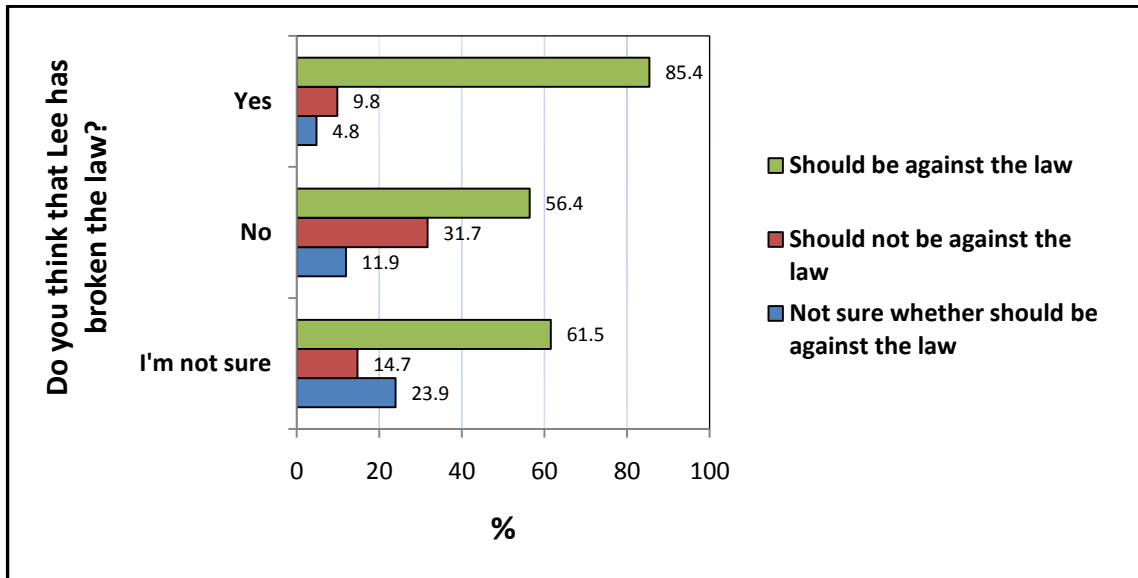


Comments

Looking at the whole Business group, 22.9% (less than one quarter) of the whole Business group think that jail is available as a sanction for this type of behaviour, and 44.6% (less than half) of the whole sample think that a fine is available as a penalty for this type of behaviour.

⁵ n=567, total Business group. The precise proportion for ‘no penalties’ was 0.005.

Figure 14.4 Knowledge of the law (F1A) and view that price fixing should be against the law (D1)⁶



Comments

There is a very high – and statistically significant - correlation between Business group respondents knowing that Lee has broken the law and answering that they think price fixing should be against the law in the earlier part of the survey: 85.4% of those who think Lee has broken the law also think that price fixing should be against the law, while only 56.4% of those who think Lee has not broken the law think that price fixing should be against the law.⁷

There were also significant correlations⁸ between knowing that Lee has broken the law and:

- interest in business issues (measured in Section B1 of the survey), i.e. those who are more interested in business issues were more likely to know that Lee has broken the law;
- trust in business (measured in Section B2 of the survey), i.e. those who are reluctant to trust business were more likely to think Lee has broken the law and those who are neutral about business were less likely to say he has broken the law;

⁶ n=567, total Business group.

⁷ It was not possible to do a similar test for business respondents' knowledge that price-fixing is a criminal offence and their opinion as to whether it should be a criminal offence. Nor was it possible to compare respondents' views on what the penalties are and what the penalties should be.

⁸ Cross-tabs and statistical tests of significance are available from the authors upon request.

- prior awareness of cartel issues (measured in Section G of the survey), i.e. those with more prior awareness more likely to know Lee has broken the law;
- gender (measured in Section A of the survey), i.e. men more likely to know Lee has broken the law than women; and
- education (measured in Section A of the survey), i.e. those with university education more likely to know Lee has broken the law, and those with Year 11 or 12 as highest level of education were less likely to know Lee has broken the law.

There is also a significant correlation between gender and knowing that Lee agreeing prices with competitors is a criminal offence (men are more likely to know it is a criminal offence). We have not identified any other significant correlations between any other characteristics, attitudes or opinions and knowledge that cartel conduct is a criminal offence. In particular, we did check whether there was any correlation between position (employee or manager) and knowledge of the law and between size of workplace and knowledge of the law, but found no significant correlations.