

## 6. CARTEL CONDUCT AS AGAINST THE LAW

### 6.1 PRICE FIXING AS AGAINST THE LAW

#### Question

##### Dintro

In the next questions, we describe a number of imaginary business scenarios.

These could apply to companies of **any** size in **any** industry.

When you answer the questions, please focus on **how the businesses have acted**, rather than the type of business or industry.

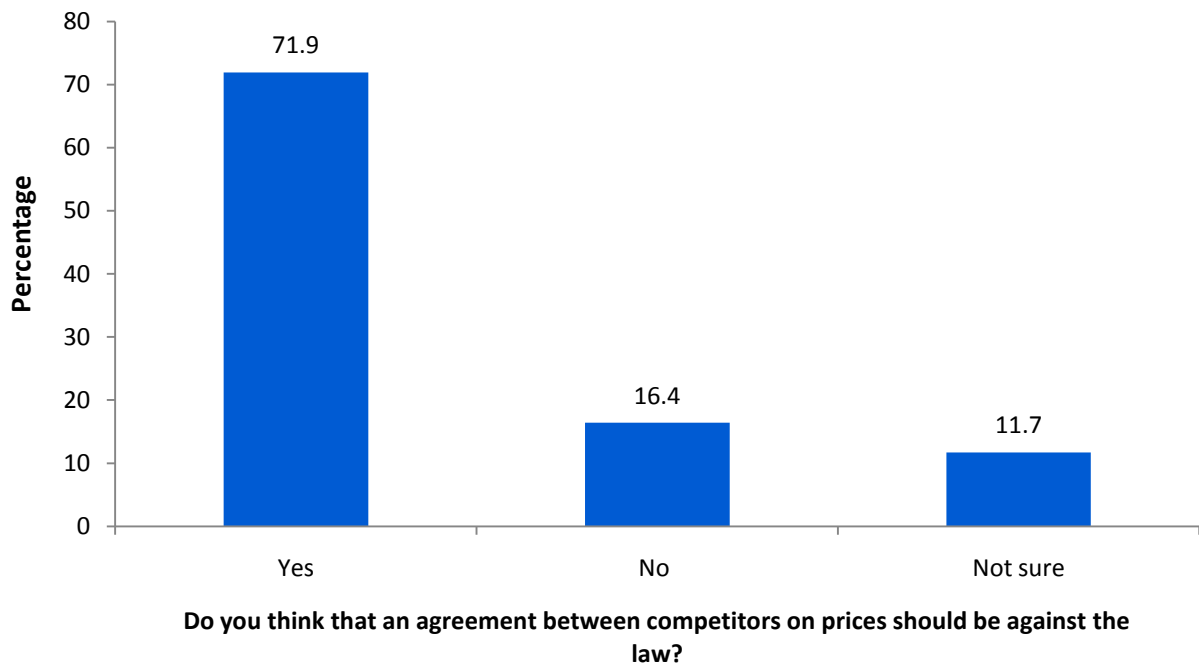
- D1 There are two butchers in a town. In the past they have set their prices independently of each other. This has meant that if one butcher put up its prices, consumers could switch to the other butcher to find a lower price.

The butchers have now reached an agreement with each other to set the prices they charge for the most popular cuts. As a result, they can charge higher prices because if consumers are unhappy with the price at one butcher, they are unable to switch to the other butcher for a better price.

Do you think that an **agreement between competitors on prices** should be against the law?

1. Yes, I think it should be against the law
2. No, I don't think it should be against the law
3. I'm not sure whether it should be against the law

Comment (optional):

**Figure 6.1 Price fixing as against the law<sup>1</sup>****Comments**

A high proportion (71.9%), more than two thirds, of respondents considered that an agreement between competitors on prices should be against the law. Only 16.4%, less than a fifth of respondents, considered it should be lawful.

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<sup>1</sup> n=1296, all respondents.

## 6.2 MARKET ALLOCATION AS AGAINST THE LAW

### Question

D2int. Now for a different scenario....

Remember, the scenario could apply to a company of **any** size in **any** industry.

When you answer the questions, please focus on **how the businesses have acted**, rather than the type of business or the industry.

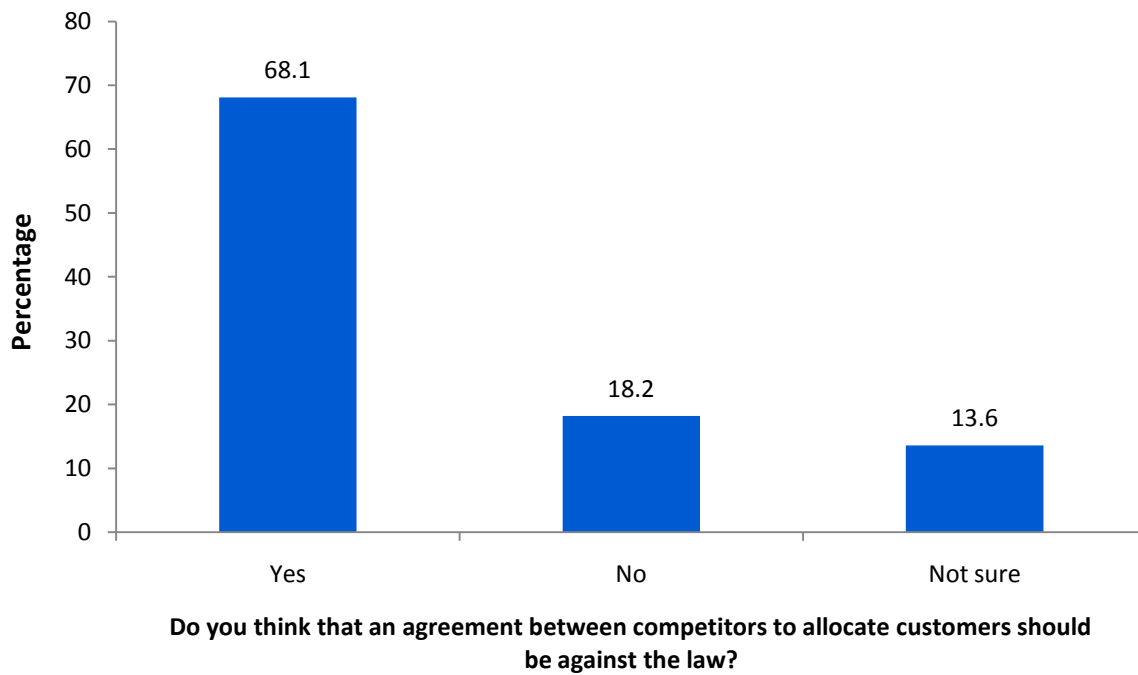
D2 This time, there are two plumbing companies that compete against each other in providing plumbing services to a town. They are the only plumbing companies in the town. In the past, if one plumbing company put up its prices, customers could switch to the other plumbing company.

The plumbing companies have now reached an agreement to allocate customers between them. One company will only service buildings north of the river; the other will only service buildings south of the river. As a result, they can charge higher prices because customers can't switch between the plumbing companies when they are unhappy about the price they are being charged.

Do you think that an **agreement between competitors to allocate customers** should be against the law?

1. Yes, I think it should be against the law
2. No, I don't think it should be against the law
3. I'm not sure whether it should be against the law

Comment (optional):

**Figure 6.2: Market allocation as against the law<sup>2</sup>****Comments**

As with an agreement between competitors on prices, a high proportion (68.1%), more than two thirds, of respondents considered that an agreement between competitors to allocate customers should be against the law. Only 18.2%, less than a fifth of respondents, considered it should be lawful.

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<sup>2</sup> n=1296, all respondents.

### 6.3 OUTPUT RESTRICTION AS AGAINST THE LAW

#### Question

D3int. Now for one more scenario....

Again, the scenario could apply to a company of **any** size in **any** industry.

When you answer the questions, please focus on **how the businesses have acted**, rather than the type of business or the industry.

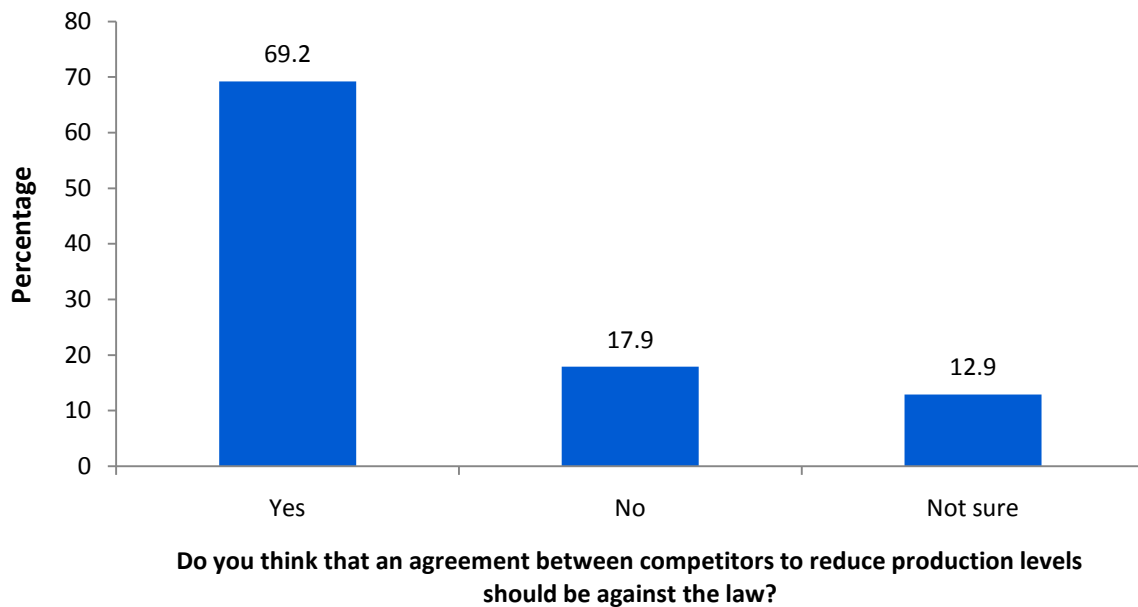
D3. This time, there are two companies that compete against each other as producers of cheese. They are the only companies that produce cheese in a particular region. In the past they have decided what volume they would produce depending on how much consumers in the region wanted to buy.

However, the companies have now made an agreement with each other to reduce the amount of cheese they produce. As a result of the agreement, they are no longer producing enough cheese to satisfy everyone in the region and can therefore charge higher prices. This is because consumers want to buy more cheese than is available for sale and are therefore prepared to pay more to try and get as much as they want.

Do you think that an **agreement between competitors to reduce production levels** should be against the law?

1. Yes, I think it should be against the law
2. No, I don't think it should be against the law
3. I'm not sure whether it should be against the law

Comments (optional):

**Figure 6.3: Output restriction as against the law<sup>3</sup>**

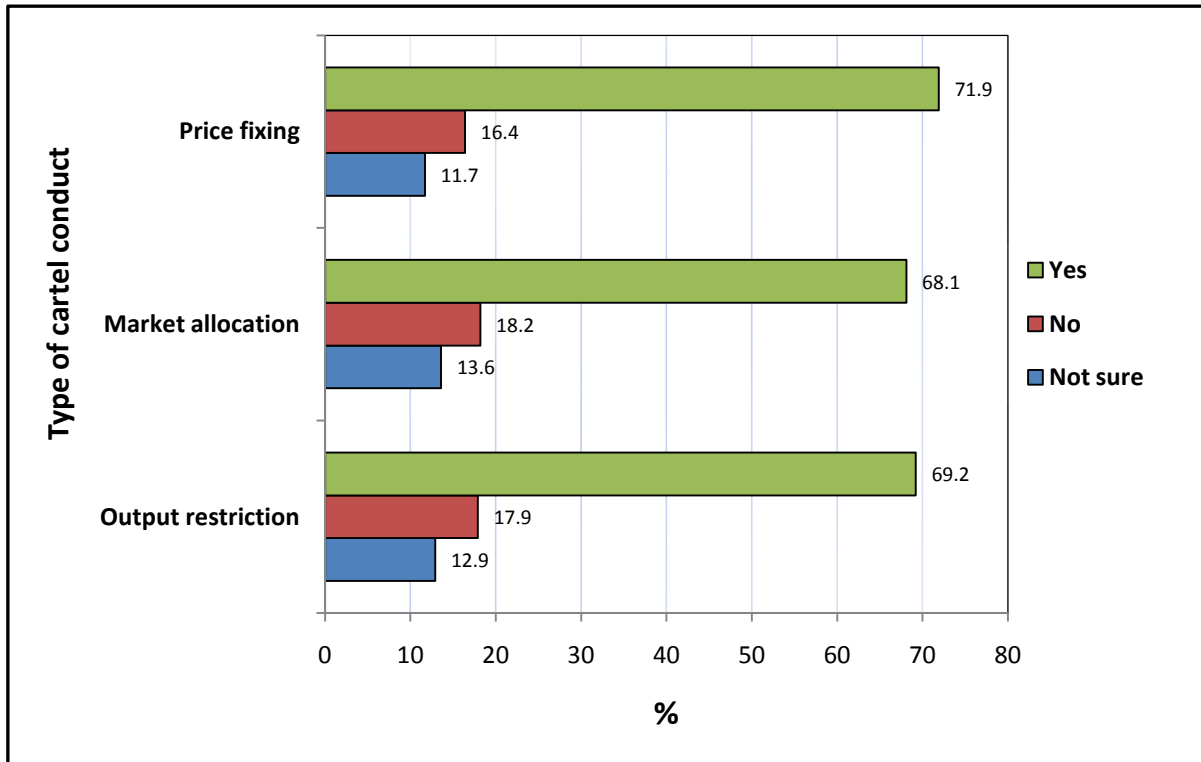
### Comments

As with agreements between competitors on prices and to allocate customers, a high proportion (69.2%), more than two thirds, of respondents considered that an agreement between competitors to reduce production levels should be against the law. Only 17.9%, less than a fifth of respondents, considered it should be lawful.

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<sup>3</sup> n=998 (representing respondents who were presented with the 'cheese' scenario for output restriction). See further the explanation given in Section 2.4.1 of changing from a vignette about milk to a vignette about cheese after the soft launch.

## 6.4 COMPARISON BETWEEN TYPES OF CARTEL CONDUCT AS AGAINST THE LAW

Figure 6.4: Comparison between types of cartel conduct as against the law<sup>4</sup>**Comments**

There were no major differences between types of cartel conduct on views as to whether the particular type of conduct should be against the law.

<sup>4</sup> n=1296, all respondents.