

NEWS RELEASE

**This statement is not for publication or broadcast before
00:01 on 6 July 2018**

HC 1384 | 2017-19
Report by the Comptroller and Auditor General

Exiting the EU: Consumer protection, competition and state aid

Preparing the UK's legal and regulatory frameworks for consumer protection, competition and state aid for EU exit is a significant challenge, heightened by uncertainty around the future UK-EU relationship and pressure in the Parliamentary timetable, says the National Audit Office (NAO) in a report published today.

The NAO has reviewed how the Department of Business, Energy & Industrial Strategy (BEIS), National Trading Standards and the Competition and Markets Authority (CMA) are progressing with plans to build the UK's legal framework, and capacity and capability in these three regulatory areas.

The legal and regulatory frameworks covering consumer protection, competition and state aid aim to create fair and effective markets that support consumer confidence and economic growth, and ensure competition and markets work well for consumers. Risks of exiting the EU in these areas relate to cross-border issues, such as market surveillance and data sharing; cross-border enforcement; and consumer redress for cross-border transactions.

BEIS has prioritised its legislative programme based on what will be critical for ensuring UK businesses and consumers can continue to trade effectively following the EU Exit. However, it will be challenging to ensure the passage of relevant secondary legislation in time for 30 March 2019 in the event of a no-deal scenario. Furthermore, there are challenges to build capacity and capability, particularly in the areas of state aid and competition.

In the case of consumer protection, a number of changes need to be introduced. BEIS has received an additional £2.4 million to create a market surveillance system, as presently the UK uses the EU-wide system to share intelligence on product safety, which it may not have access to after EU Exit. New ways to work with EU member states on cross-border enforcement may also be required. Trading Standards services and the CMA are hoping to work bilaterally with EU member states, as they do with non EU states now, but expect this will take longer and be more expensive to put in place. Trading Standards services

currently carry out checks at UK borders to identify unsafe products. No changes have been made to infrastructure at Dover, Kent, where the vast majority of goods imported through there are from the EU and do not currently receive checks.

Currently the European Commission (EC) takes competition cases that affect multiple EU member states, including those impacting the UK. On Exit, the UK will need to build its capacity to deliver an effective competition regime. The CMA received an additional £20.3 million in 2018-19 to increase its workforce and capability to manage the expected increase in managing competition caseloads, which are currently covered by EU wide-investigations. The CMA expects it will need 240 extra people which, in a competitive environment, will require a concerted recruitment campaign to recruit staff.

In preparation for exiting the EU, in March 2018, the government decided that the UK needed an independent domestic state aid regime, as state aid rules have been entirely enforced at EU level. The CMA has been allocated £3.3 million extra including 0.9 million for developing an IT system, to set up an entirely new state aid function and take on responsibility of the independent regulator.

The NAO will continue to review how these authorities are managing these three regulatory areas and prioritising delivery risks.

Amyas Morse, the head of the NAO, said today:

“It is not an easy task pushing forward with preparations for EU exit surrounded by what ifs. BEIS, National Trading Standards and the CMA have at least recognised which areas need to be ready by day one, but they will need cross-government support in implementing these priorities and cross-border cooperation to ensure UK consumers and businesses can continue to trade smoothly.

“There will be many areas that departments and authorities across Whitehall simply cannot be prepared for, so the government needs to seriously help departments scramble and prioritise their efforts around what matters most to us come 30 March 2019.”

Key facts



3

Number of legal and regulatory frameworks examined in this report, all of which are the policy responsibility of the Department for Business, Energy and Industrial Strategy

240

Estimated number of additional staff the Competition and Markets Authority needs to recruit to upscale its existing competition and consumer protection responsibilities, a 39% increase

46

Estimated number of additional staff the Competition and Markets Authority needs to recruit to set up an entirely new state aid function

£23.6m

Total additional funding in 2018-19 for the Competition and

	Markets Authority's new and expanded responsibilities, including £3.3m for state aid
£2.4m	Amount the Department for Business, Energy & Industrial Strategy (BEIS) is spending on a new IT system to replace the European Union (EU)'s product safety rapid alert system UK authorities currently use
3,888	Number of complaints by UK consumers against traders in the rest of the EU supported by the BEIS/EU funded UK European Consumer Centre in 2016

- **ENDS-**

Notes for Editors

1. In the UK, the Department of Business, Energy & Industrial Strategy (BEIS) is responsible for the general framework of consumer protection, and has overall policy responsibility for competition and state aid. However, a number of other bodies are responsible for enforcing all three areas. The majority of consumer law enforcement is carried out by local authority Trading Standards services, with support at the national level from the BEIS-funded National Trading Standards. The Competition and Markets Authority (CMA) applies competition law and merger review, and also uses its consumer powers to tackle market-wide issues, unfair contract terms and international consumer issues. A number of other national regulators and standards bodies also contribute to meeting consumer and competition policy objectives, for example by setting product standards or regulating specific sectors and some have concurrent powers with the CMA to enforce competition rules in those sectors.
2. In the three areas that are the subject of this report (consumer protection, competition and state aid), this NAO report examines:
 - BEIS's progress in ensuring a functioning statute book for 30 March 2019; and
 - the progress made by BEIS, the CMA and National Trading Standards in building regulatory capacity and capability for the UK in response to the potential repatriation of functions from the EU. This includes preparing for two alternative scenarios: with an implementation period until 31 December 2020, and for 30 March 2019 in a 'no-deal' scenario
3. The NAO report outlines three case studies which bring to life how the current regulatory arrangements with the EU operate.
 - Case study 1 (page 21) is a case study on consumer protection cooperation across the EU in relation to car rental.
 - Case study 2 (page 24) is a case study on competition and markets authority enforcement action against pharmaceutical firms
 - Case study 3 (page 26) is a case study on European Commission enforcement action against Google for alleged abuse of dominance.
4. Press notices and reports are available from the date of publication on the NAO website. Hard copies can be obtained by using the relevant links on our website.
5. The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Sir Amyas Morse KCB, is an Officer of the House of Commons and leads the NAO, which employs some 785 people. The

C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy. Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services. Our work led to audited savings of £734 million in 2016.

Press Notice 36/18

All enquiries to the NAO press office

Kindra.hyttner@nao.gsi.gov.uk
020 7798 7863 / 07972 304 379

alison.taylor@nao.gsi.gov.uk
0207 798 7433/ 07972 305 909

pressoffice@nao.gsi.gov.uk
020 7798 7400