INDEX

anti-competitive foreclosure 378–9, 386–7, 389
Antitrust Logit Model (ALM) 216
asymmetry and collusion 330–2, 339
capacity, asymmetry in 331–2, 371
costs, asymmetry in 331, 371
increasing symmetry 371–2
multi-market contact/asymmetry in individual market 360
substitutable product varieties, asymmetry in number of 331, 371
benchmarking correlation 111–14, 129–30
Bertrand model 151, 153–4, 216
and Cournot competition 153
merger simulation 227–30
‘binary fallacy’ 37–8
bundling 387
buyer power 288–97
buyer power in EC Horizontal Merger Guidelines 288–90
ability to prevent supplier from increasing prices 289, 292–7
buyer power created by mergers 289–90
buyers must be of considerable size 289, 291
definition of countervailing buyer power 289
nature of buyer power 288–9
case study; the Enso/Stora decision 292–7
small losses in volume significantly impacting suppliers’ average costs 293–5
sponsoring new entry 296–7
conclusions 297
and coordinated effects, assessing see external stability condition
relevance in EU cases 290–2
Conner effect 291
price discrimination/differentiation and smaller customers 291–2
vulnerability of smaller customers 291
capacity
excess industry capacity 333–4
retaliation and excess capacity 362
rivals
rivals’ ability to expand output/ease of adding capacity 261–4
rivals’ capacity in EC Horizontal Merger Guidelines 258–9
‘cellophane fallacy’ 38–9
chains of substitution 41–3
Chicago School 388
Chief Economist Team/Chief Competition Economist, EU 12–13
benchmarking correlation 112
shock analysis/supply outages 136
collusive behaviour see horizontal mergers: coordinated effects
commitments/remedies 8–10
common costs 107–11, 129
Community dimension see under concentrations

© in this web service Cambridge University Press

www.cambridge.org
competition and elasticity 26–7
number of competitors see number of competitors and collusion policy 24–5
unilateral effects see horizontal mergers: unilateral effects
competitive constraints see important competitive constraints; important competitive
competitive fringe see under external stability condition
complementary and substitutable products 380–2
concentrations
application of EC Merger Regulation 3–4
Community dimension 4
mandatory notification 7
definition 3 see also legal framework and Commission procedure
conglomerate mergers 2, 378
anti-competitive foreclosure 387
economies of scope 380–2
‘one monopoly profit’ 388
coordinated effects see horizontal mergers: coordinated effects
cost curve 20–2
economies of scale 21–2
fixed and variable costs 20
marginal cost 20–2
sunk costs 22
countervailing factors 150, 288–317
buyer power see buyer power efficiency analysis see efficiency analysis
failing firm defence see failing firm defence
product re-positioning and new entry see product re-positioning and new entry
Cournot, Antoine 93
Cournot model 150–3
and Bertrand competition 153
Cournot effect 382
market price decreasing as number of competing firms increases 151
predicted prices exhibiting direct relationship with HHI 152–3
critical discount factor see under economic concepts of tacit coordination
critical loss analysis 46–64
description of technique 46–57
calculation of the critical loss in practice 52–6
data requirements 56–7
SSNIP and critical loss analysis 51–2
SSNIP and pricing decisions 46–51
example 58–9
use in EU merger control 59–64
Commission undertaking own critical loss analysis 63–4
critical loss analysis not appropriate in airline industry 59–62
customer switching 35, 76–7, 94–5
customer switching analysis see customer switching analysis 156
differentiated products 156
greater switching propensity and greater unilateral effects 148
switching costs see switching costs
customer switching analysis 183–91
description of technique 183–5
aim/focus of switching analysis 183–4
overlapping customers analysis 184–5, 190
example 185–9
use in EU merger control 189–91
assessing degree of closeness of competition 189–91
customers
buyer power see buyer power
customer/market sharing 338, 340–1, 374–5
infra-marginal customers 35–6, 76–7
marginal customers 35, 76–7, 94–5
overlapping customers 184–5
customers (cont.)
switching see customer switching,
see also survey evidence: market
definition; survey evidence:
competitive constraints
data room process for third party
information 9
Davis, P.J. 371–2
demand curve 14–20
elasticity of demand see elasticity of
demand
marginal revenue 17–18
demand estimation 28, 64–74
description of technique 64–9
demand estimation and market
definition 69
empirical demand estimation and
identification 65–9
example 69–71
use in EU merger control 71–4
demand elasticity estimation in
merger analysis seldom used
71–2
unsafe to rely solely on demand
estimation analysis 73–4
demand fluctuations/lumpiness of
demand and collusion 329–30,
367
demand growth and collusion 329
demand-side substitution 34–5, 94–5,
136
diagonal mergers 390
Dickey-Fuller test 129–31
differentiated products/services
closeness of competition and
differentiated products 161
competitive constraints in
industries with differentiated
products 148–9
coordination terms agreement more
difficult 338–40
definition of relevant market in
assessing unilateral effects
148–9
diversion ratios see diversion ratios
HHIs not taking account of product
differentiation 286
merger simulation models 215
mergers in markets where
goods/services are
differentiated 148–9
price levels analysis 95–6
product specifications differentiation
as evidence of separate national
markets 103–4
diversion ratios 156
approximating 184
calculated from responses to
hypothetical price increases
179–80
combined with survey information
on merging firms’ gross
margins 183
example of diversion ratios in merger
assessment 157–8
price pressure tests 218
use of surveys to estimate diversion
ratios 177
dominance see monopoly or dominant
positions
double marginalisation, elimination of
382
EC Horizontal Merger Guidelines
see horizontal mergers: unilateral effects
econometric analyses/techniques 43,
72–4, 129–30, 133
bidding data analyses 242, 245–6
case study: Statoil/JET
JET’s role 203–4
placing econometrics in right
economic context 205–6
complex econometric analyses
remaining the exception 27–8
demand estimation 65, 69–71
economic evidence provided by
structural econometric
models 29
entry analysis 209–10
instrumental variables 68–9
as key source of quantitative
evidence on market
definition 65
nature of 3  
price/concentration studies 192, 198–206  
‘reduced form’ econometric models 29  
scanner data for mergers in branded consumer goods industries 215  
economic concepts, basic 3, 13–27  
cost curve see cost curve  
demand curve see demand curve  
market power see market power  
profit maximisation see profit maximisation  
economic concepts of non-horizontal mergers 379–91  
foreclosure and anti-competitive foreclosure 385–9  
anti-competitive foreclosure 378–9, 386–7, 389  
foreclosure 386  
‘one monopoly profit’ 388–9  
other anti-competitive effects 389–91  
coordinated effects 390–1  
other non-coordinated effects 389–90  
pro-competitive effects 380–5  
complementary and substitutable products 380–2  
economies of scope, conglomerate mergers giving rise to 384  
‘efficiency offence’ 385  
‘hold-up’ problem, non-horizontal mergers eliminating 383–4  
merger between complementary products giving price reductions 382  
supply chain efficiencies, vertical merger generating 384  
supply side efficiencies 383–5  
economic concepts of tacit coordination 319–35, 369  
factors that affect the critical discount factor 326–35  
assymetry 330–2  
demand fluctuations/lumpiness of demand (+) 329–30, 367  
demand growth (−) 329  
ease of entry (+) 328  
excess industry capacity (?) 333–4  
frequency of interaction/price adjustments (−) 328  
innovation (+) 332–3  
market demand elasticity (?) 334–5  
multi-market contact (−) 332  
number of competitors (+) 327–8  
substitutability, degree of (?) 333  
transparency (−) 328–9  
textbook tacit coordination 321–6  
coordination sustainable if firms sufficiently ‘patient’ 324–5  
critical discount factor 323–5  
how firms reach collusive agreement, repeated games theory silent on 325–6  
modification to textbook model allowing tacit coordination 323–5  
no framework to identify change from competitive to collusive 326, 337  
non-cooperative game theory/ repeated games theory 321  
‘textbook’ model of coordination 321–3  
theory silent on how firms select between equilibria 369  
economic theory: important competitive constraints 150–8  
closeness of competition and diversion ratios 155–6  
example of diversion ratios in merger assessment 157–8  
economic models and market concentration 150–4  
Bertrand model 151, 153–4  
Cournot model 150–3  
economics in EU merger control, role of 2, 12–13  
Chief Competition Economist post see Chief Competition Economist, EU  
‘effects-based’ approach, consequences of 12
economies of scale 21–2

economies of scope 384
‘effects-based’ and ‘form-based’ approaches 12

efficiency analysis 304–10

efficiency analysis in EC Horizontal Merger Guidelines 304–7
consumer benefit 305–6
merger specificity 305
requirements to sustain efficiency defence 305–6
sufficiency of claimed efficiencies to offset lessening of competition 307
verifiability 306

relevance in EU cases 308–10
elasticity of demand 16–20, 80
and competition 26–7
inelastic demand as sufficient to identify a relevant market 73
market demand elasticity and collusion 334–5
and market power 25–6

Elzinga, Kenneth 81 see also LIFO/LOFI (Elzinga-Hogarty) test
empirical economic evidence 3, 27–9
economic evidence provided by structural econometric models 29
empirical evidence comprising basic statistics 28–9
empirical evidence deriving from use of ‘reduced form’ 29
methods unified by use of statistical inference 29

empirical techniques: competitive constraints see important competitive constraints between the parties: empirical techniques
empirical techniques to assess market definition 43–126
analysis of price levels see price levels analysis
analysis of sales patterns see sales patterns analysis
critical loss analysis see critical loss analysis

demand estimation see demand estimation
price correlation analysis see price correlation analysis
qualitative evidence see qualitative evidence
shock analysis see shock analysis
stationarity analysis see stationarity analysis
survey evidence see survey evidence: market definition

entry analysis 207–10
description of technique 207
element 207–8
use in EU cases 209–10
entry of new suppliers or products
entry analysis see entry analysis
product re-positioning and new entry see product re-positioning and new entry
shock analysis 134–5
sponsoring new entry/buyer power 296–7, 367
ease of entry and collusion 328

Epstein, R. 216
equality of prices see under price levels analysis
exchange rate shocks or fluctuations see under shock analysis
external stability condition 319, 349–50, 362–8
buyer power 367–8
assessment of role of buyers in Pirelli/BICC 367–8
bulk purchases influencing demand fluctuations/lumpiness of demand 367
sponsoring new entry/growth of smaller players 367
undermining stability of coordination 367
importance of buyer power and potential competition 363
non-colluding rivals 363–7
assessment of role of fringe
in ABF/GBI Business 366–7
assessment of role of fringe in Airtours/First Choice 363–4
assessment of role of fringe in Norske Skog/Parenco/Walsum and UPM-Kymmene/Haindl 365–6
colluding firms constrained by expansion of competitive fringe 363, 367
non-horizontal mergers 391
failing firm defence 310–17
failing firm defence in EC Horizontal Merger Guidelines 310–12
conditions for use of failing firm defence 311–13
high hurdle for failing firm defence 311–13, 317
nature of failing firm defence 310–11
purposes of tests 312
relevance in EU cases 312–17
cases providing the foundation for the three criteria 313–15
‘failing division’ argument 316–17
rejection of failing firm defence in recent investigations 315–16
Farrell, J. 61–2, 220
fixed costs 20
efficiency analysis/reductions and pricing 305–6, 308–9
fixed cost spreading 21–2
Foncel, J. 217
foreclosure 2, 386
framework for the assessment of coordinated effects 320–1, 335–77
ability of firms to reach coordination terms, factors affecting 327, 338–9
complexity of market 338–9
institutional features of market facilitating coordination 339
number of players 338
supply and demand conditions, stability of 339
symmetry of firms 339
market characteristics so that tacit understanding likely to be sustained? 336–7, 349–68
external stability see external stability
internal stability see internal stability
merged entity/remaining competitors able to reach tacit understanding? 336–49
complex or non-transparent market conditions 338–41
customer/market sharing 338, 340–1, 374–5
innovation 338–9, 341
non-price parameters of competition, coordination on 336, 340
parameters over which firms likely to agree to coordinate 337–41
price coordination 338–41
theory of coordination in ABF/GBI Business 346–9
theory of coordination in Sony/BMG 341–5
more systematic approach to assessment of coordinated effects 336–7
past coordination, account taken of 337
lower threshold 337
proposed transaction makes tacit coordination likely or more effective? 337, 368–77
assessment of effect of merger in ABF/GBI Business 375–7
merger specific factors see merger specific factors affecting likelihood and effectiveness of tacit coordination
when coordinated effects/concerns arise 368–9
traditional ‘checklist approach’ to assessment of coordinated effects 335–6
fringe/competitive fringe see under external stability condition
Froeb, L. 216
game theory see economic concepts of tacit coordination

Gross Upward Pricing Pressure Index (GUPPI) 219–22, 231
modified for use in partial ownership cases 286–7

harm, theory of 206
coordinated effects theory of harm 2, 12, 337
pre-existing coordination 337
threshold for harm lower if existing tacit coordination strengthened 337, 369
see also framework for the assessment of coordinated effects

non-horizontal theory of harm 12
Herfindahl–Hirschman Index (HHI) 152–3
modified to take account of incentives changes from minority shareholdings 285–6
limited value 286
non-binding presumptions based on HHI 160
Hogarty, Thomas 81 see also LIFO/LOFI (Elzinga-Hogarty) test
‘hold-up’ problem 383–4
horizontal mergers: coordinated effects 318–77
coordinated effects, nature of 318
and unilateral effects 320, 326
framework for assessment see framework for the assessment of coordinated effects
tacit coordination
collusive outcomes easier to achieve/sustain in concentrated markets 319
economic concept see economic concept of tacit coordination
elements required to arise/be sustained 318–19
externally sustainable collusive agreement see external stability condition

intermediately sustainable collusive agreement see internal stability condition
mergers increasing market concentration increasing the risk of 319
nature of 318
horizontal mergers: unilateral effects 148–295, 380
coordinated effects and unilateral effects 320, 326
countervailing factors see countervailing factors
economic concept of unilateral effects analogous to single firm dominance 148–9

further issues relevant in the assessment of unilateral effects 149–50, 251–87
case study: analysis of potential entry in UK Svitzer/Adsteam case 255–8
elimination of potential competition in EC Horizontal Merger Guidelines 252–8
elimination of potential competition in EU precedents 253–5
partial ownership see partial ownership
rivals’ ability to increase supply see rivals’ ability to increase supply
switching costs see switching costs
important competitive constraints see important competitive constraints; important competitive constraints between the parties: empirical techniques
when mergers give rise to unilateral effects 148–9
Huse, C. 371–2
hypothetical monopolist/‘SSNIP’ test see under market definition

identification 67–9
Illustrative Price Rise (IPR) 218–19, 231
import duties, changes in see under shock analysis
important competitive constraints 148–76
Commission’s recent enforcement practice 163–76
differentiated products see under differentiated products/services
EC Horizontal Merger Guidelines see important competitive constraints: EC Horizontal Merger Guidelines
economic theory see economic theory: important competitive constraints
strength of competitive constraints proportionate to market share 148
when important competitive constraints likely to exist 158–61
important competitive constraints: EC Horizontal Merger Guidelines 158–63
merger eliminates an ‘important competitive force’ 149, 159, 162–3
‘maverick firms’ 162–3, 165
merging firms are close competitors 160–2, 165, 177
degree of substitutability 161, 165 differentiated products and closeness of competition 161
likelihood of unilateral effects inferred from market shares 160–1
remaining rivals not providing effective competitive constraint 161–2
merging firms have large market share 159–61, 165, 176
market shares and scope for unilateral price increases 159
market shares thresholds 159–60, 176
non binding presumptions based on HHI 160

’safe harbour’ for firms with market share below 25% 159, 176
unilateral effect concerns if combined market shares over 50% 159–60, 165, 176
important competitive constraints between the parties: empirical techniques 149, 176–251
customer switching analysis see customer switching analysis
entry analysis see entry analysis
merger simulation see merger simulation
natural experiments see natural experiments
price/concentration studies see price/concentration studies and analysis of the impact of rivals’ presence
survey evidence see survey evidence: competitive constraints
win/loss and bidding analysis see win/loss and bidding analysis
‘important competitive force’ see under important competitive constraints: EC Horizontal Merger Guidelines
industrial organisation 13–14, 25–6
infra-marginal customers see under customers
innovation and collusion 332–3, 338–9, 341
instrumental variables 68–9
internal stability condition 319, 349–62
monitoring deviations 350–5
assessing degree of transparency/firms inferring rivals’ actions 350
assessing degree of transparency/firms’ information on rivals’ decisions 351
reducing the number of market participants, effect of 371
transparency affected by way transactions take place 350
transparency higher when fewer firms active in market 350
internal stability condition (cont.)
monitoring in ABF/GBI Business
351–2
monitoring in Sony/BMG (2007)
351–5
retaliation see retaliation
isoelastic demand 56
Ivaldi, M. 217
lagged responses 114–15
legal framework and Commission procedure 2–11
EC Merger Regulation 3–7
addressing enforcement gap in 1989 Merger Regulation 5–7
‘concentrations’, application to 3–4
European Commission jurisdiction 4
permitted mergers 3–4
substantial impediment to effective competition/competitive assessment 4–6
procedure for notification and assessment 7–11
Art. 6 approval/conditional approval decisions 9
Art. 8 clearance/clearance subject to commitments/prohibition 9–10
doubts triggering Phase II investigation 9–10
mandatory notification and Phase I competitive assessment 7–9
Lerner condition 61
LIFO/LOFI (Elzinga-Hogarty) test 81–5
linear demand 56
marginal cost 20–2
profit maximisation 23–4
marginal customers see under customers
marginal revenue 17–18
profit maximisation 23–4
market concentration and economic models see economic theory and key concepts: competitive constraints
market definition 31–126
asymmetry in market definition 39–40
conceptual framework 33–42
hypothetical monopolist/‘SSNIP’ test 32–6
issues and complications arising in market definition 36–42
empirical techniques see empirical techniques to assess market definition
indirect constraints and chains of substitution 41–3
Market Definition Notice/identifying relevant market 31–2, 43, 45–6, 54, 65, 75, 105
‘SSNIP’/hypothetical monopolist test 32–6, 39–40, 43, 94–5
critical loss analysis see under critical loss analysis
magnitude of SSNIP and the ‘binary fallacy’ 36–8
plant shutdowns 136
relevant pre-SSNIP price and ‘cellophane fallacy’ 38–9
market investigation 8–9, 75
market power 24–7
constraints on buyer power see buyer power
total competition see horizontal mergers: unilateral effects
and demand elasticity 25–6
‘one monopoly profit’ 388–9
market shares see under EC Horizontal Merger Guidelines: important competitive constraints
market sharing 338, 340–1, 374–5
‘maverick firms’ 162–3, 165
meaning of ‘maverick’ 373–4
mergers creating 374
Merger Regulation, EC see under legal framework and Commission procedure
merger simulation 214–31
<table>
<thead>
<tr>
<th>Page</th>
<th>Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>214</td>
<td>description of technique as highly technical/data intensive process</td>
</tr>
</tbody>
</table>
partial ownership 282–7
example of effects on competitive behaviour/market outcomes 283–7
modified HHI 285
increasingly prominent issue 282–3
minority shareholdings in absence of control 282
plant outages or strikes see shock analysis
potential competition
constraint on market power see horizontal mergers: unilateral effects
and coordinated effects, assessing see external stability condition
price/concentration studies and analysis of the impact of rivals’ presence 191–207
case study: Statoil/JET see under econometric analyses/techniques
description of technique 191–2
markets differing in respects other than the level of concentration 192
selection of suitable comparator markets as most important element 191–2
example 192–201
use in EU merger control 201–3
price correlation analysis 105–27, 134, 137
description of technique 105–15
benchmarking correlation 111–14, 129–30
lagged responses 114–15
principle on which price correlation analysis based 105–6
spurious correlation 107–11, 129
example 115–19
use in EU merger control 119–27
downside of correlation analysis 126
evidence to be viewed in context of other forms of evidence 119
price-cost margin 25–6
price elasticity
high margins and low price elasticity 60–1
merger simulation 217
surveys not capturing customers’ average willingness to switch 80
price levels analysis 93–105
description of technique 93–7
differentiated products 95–6
equality of prices 93–5
geographic market definition 96–7
example 97–100
use in EU merger control 100–5
Commission using analysis of price levels in defining relevant markets 103
recent citing of price level evidence 100
unsafe to draw conclusions on market definition based on price levels 103
price pressure tests 218–23
aim to provide initial screen not in-depth investigation 222
criticised 222–3
unifying feature 218
variants of price pressure tests 218–22
Gross Upward Pricing Pressure Index (GUPPI) 219–22, 231
Illustrative Price Rise (IPR) 218–19, 231
Upward Pricing Pressure (UPP) 219–21, 231
pricing decisions
coordination on price 338–41
differentiated products 339–40
frequency of interaction/price adjustments and collusion 328
Cournot effect/elimination of double marginalisation 382
incentives to increase price 389–91
and SSNIP 46–51
product re-positioning and new entry 298–304
in EC Horizontal Merger Guidelines 298–302
brand re-positioning changing product characteristics or marketing 299 circumstances where threat of entry more likely to be credible 302 markets with large buyers and significant sunk costs 301–2 need to understand how other firms would respond to increased prices 300 new entry to market reducing concerns over unilateral price increases 299 new entry more effective if done relatively quickly and cheaply 300–1 product re-positioning as effective countervailing factor 298–9 product re-positioning reducing incentive for unilateral price increases 298 relevant benchmark for assessing viability of entry 299–300 re-positioning by non-merging entities 298 threat of exercising buyer power constraining post-merger prices 302 relevance in EU cases 302–4 entry barriers 303–4 mere possibility of entry 304 supply-side response arguments 302–3 profit maximisation 15, 23–4 firms passing on part of variable cost reduction to customers by lower prices 304–5 fixed cost spreading 21–2 organising to set marginal revenue equal to marginal cost 23–4 Proportionally Calibrated Almost Ideal Demand System (PCAIDS) model 216 qualitative evidence 27–8, 44–5, 78, 119, 180 forms in market definition analysis 44 no hierarchy between ‘technical’ and ‘non-technical’ evidence 9–10 survey information as qualitative information on customer preferences 177 quantitative evidence see empirical techniques to assess market definition regression analysis 28, 66, 103–4 price/concentration studies 198–201 repeated game theory see economic concepts of tacit coordination retaliation 355–62, 374–5 credible punishment may not be effective 357–8 excess capacity 362 multi-market contact 359–62 timing of retaliation 358–9 effective punishment may not be credible 356–7 Norske Skog/Parenco/Walsum/UPM-Kymmene/Haindl assessment 356–7 importance of establishing firms can punish deviation 355–6 rivals ability to increase supply see rivals’ ability to increase supply anti-competitive foreclosure 378–9, 386–7, 389 firms’ information on rivals’ decisions 351 foreclosure 386 inferring rivals’ actions 350 harmed by mergers/efficiency offence 385 non-colluding see external stability condition rivals’ ability to increase supply 258–75
rivals’ ability to increase supply (cont.)
assessing mergers in electricity markets 267–75

case study: Gas Natural/Endesa 273–5

market characteristics 268–70
unilateral effect concerns 270–3

EU cases 261–7

rivals’ ability to expand output/ ease of adding capacity 261–4

rivals’ incentive to expand output 264–7

example 259–61

rivals’ capacity in EC Horizontal Merger Guidelines 258–9

Rubinfeld, D. 216

sales patterns analysis 81–93
description of technique 81–5

geographic market definition 82–3

product market definition – ‘multi-sourcing’ 84–5

example 85–8

use in EU merger control 88–93

potential distinction between transport modes 92–3

potential impact of shipment size 93

proportion of sales to be considered/threshold 91–2

Salop, S.C. 221, 286–7

Shapiro, C. 61–2, 220

shock analysis 134–47
description of technique 134–8

changes in exchange rates/ import duties, asymmetric pricing from 137–8

entry of new suppliers or products 134–5

nature of shock analysis 134

supply outages/plant shutdowns affecting firm’s supply ability 135–7

example 138–44

use in EU merger control 144–7

entry 144–5

exchange rate shocks or fluctuations 147

plant outages or strikes 145–7

single firm dominance see monopoly or dominant positions

spurious correlation 107–11, 129

‘SSNIP’ test see market definition

statement of objections 10

stationarity analysis 105, 127–34
description of technique 127–30

advantages as alternative to price correlation 129–30

increasingly important role of stationarity analysis 127

rationale 128

example 130–1

use in EU merger control 131–4

more sceptical view of stationarity analysis taken 132–4

price stationarity not dispositive of competitive interaction 133

role of stationarity analysis within market definition 133–4

spurious stationarity 133

stationarity analysis as complement to correlation analysis 131–2

strikes or plant outages see under shock analysis

substitutability between products complementary and substitutable products 380–2
degree of substitutability and collusion 333

unilateral effects see horizontal mergers: unilateral effects

sunk costs 22

product re-positioning and new entry 301–2

supply chain efficiencies, vertical merger generating 384

supply outages natural experiments 211

shock analysis see shock analysis

supply side efficiencies see economic concepts of non-horizontal mergers
supply-side response arguments 302–3
supply-side substitution 34, 136
survey evidence: competitive
customers identifying range of credible alternative suppliers 178
customers ranking suppliers for products’ technical features/pricing 179
diversion ratios from responses to hypothetical price increases 179–80
important role of customer surveys in merger assessment process 178
need to adhere to principles of survey design 177
survey information as qualitative information on customer preferences 177
surveys as source of quantitative information on degree of substitution 178
example 179–80
use in EU merger control 180–3
diversion ratios evidence and survey information on gross margins 183
use of large-scale consumer surveys 180–1
survey evidence: market definition 74–80
description of technique 74–8
customer surveys 75–8
market investigation see market investigation
problems with customer surveys 76–8, 177
use in merger control 78–80
Commission substituting own views for consumers’/evidence value 80
qualitative evidence 78–9
surveys not capturing customers’ average willingness to switch 80
switching see customer switching;
switching costs
switching costs 275–82
conclusions 281–2
effects of switching costs on competition 276–7
implications of switching costs for merger assessment 277–81
Lloyds/Abbey National 278–9
Lloyds/HBOS 280–1
tacit coordination see under horizontal mergers: coordinated effects
transparency and collusion 328–9
complex or non-transparent market conditions 341
monitoring deviations 350–5
assessing degree of transparency/firms inferring rivals’ actions 350
assessing degree of transparency/firms’ information on rivals’ decisions 351
transparency affected by way transactions take place 350
transparency higher when fewer firms active in market 350
non-horizontal mergers 391
timing of retaliation/time lag 358
tying 387
undertakings 165, 268
unilateral effects see horizontal mergers: unilateral effects
Upward Pricing Pressure (UPP) 219–21, 231
variable costs 20
efficiency analysis/reductions and pricing 305–6, 309
Verboven, F. 217
vertical mergers 2, 378
anti-competitive foreclosure 387
‘one monopoly profit’ 388
Werden, G. 216
win/loss and bidding analysis 231–51
case study: Pirelli/BICC 248–51
analysis of credible bidders 251

INDEX
<table>
<thead>
<tr>
<th>win/loss and bidding analysis (cont.)</th>
<th>analysis of the relationship between prices and number of bidders 240–1</th>
</tr>
</thead>
<tbody>
<tr>
<td>bidding competition 250</td>
<td>participation analysis 236–9</td>
</tr>
<tr>
<td>transitional state of the industry</td>
<td>runner-up analysis 239</td>
</tr>
<tr>
<td>249–50</td>
<td>use in EU merger control 241–8</td>
</tr>
<tr>
<td>description of technique 231–6</td>
<td>comprehensive and representative bid data samples 246–7</td>
</tr>
<tr>
<td>analysis of the relationship</td>
<td>most frequent reliance on participation analyses 242–4</td>
</tr>
<tr>
<td>between prices and number of</td>
<td>overstating importance of less competitively significant firms 244–5</td>
</tr>
<tr>
<td>bidders 235–6</td>
<td>runner-up analyses, advantages of 244–5</td>
</tr>
<tr>
<td>analysis of the relationship</td>
<td>segments representing a separate market 246</td>
</tr>
<tr>
<td>between prices and runner-up/</td>
<td></td>
</tr>
<tr>
<td>bidders 235</td>
<td></td>
</tr>
<tr>
<td>competition between suppliers by</td>
<td></td>
</tr>
<tr>
<td>bidding for customer contracts</td>
<td></td>
</tr>
<tr>
<td>232–4</td>
<td></td>
</tr>
<tr>
<td>participation analysis 234–5</td>
<td></td>
</tr>
<tr>
<td>runner-up analysis 235</td>
<td></td>
</tr>
<tr>
<td>example 236–41</td>
<td></td>
</tr>
<tr>
<td>analysis of the relationship</td>
<td></td>
</tr>
<tr>
<td>between prices and identity of</td>
<td></td>
</tr>
<tr>
<td>runner-up 239–40</td>
<td></td>
</tr>
</tbody>
</table>