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Methodologies for Conducting Market Studies - Note by Norway

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More documents related to this discussion can be found at www.oecd.org/daf/competition/market-study-methodologies-for-competition-authorities.htm

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1. Introduction

1. Market studies are research projects conducted by the Norwegian Competition Authority's (NCA henceforth) to gain an in-depth understanding of how sectors, markets, or market practices are working.

2. The use of market studies must be understood in the context of the NCA's tasks, which follows from Article 9 of the Competition Act. The main task is to enforce the prohibition and merger regulations in the Act (Articles 9a and b). However, an important aspect of this is to supervise competition in the various markets, and to push for more competition to the benefit of consumers and business. As such, the NCA also has an important function related to calling attention to any restrictive effects on competition of public measures and, where appropriate, submitting proposals aimed at furthering competition and facilitating market access by new competitors (Article 9e). As such, market studies are an important complement to enforcement action against individual undertakings in the NCA's work to supervise competition in the various markets.

3. Market studies are conducted primarily in relation to concerns about the functioning of markets arising from one or more of the following: (i) market structure; (ii) firm behaviour; (iii) information failure; (iv) consumer conduct; (v) public sector intervention in markets (whether by way of policy or regulation, or direct participation in the supply or demand side of markets); and (vi) other factors which may give rise to consumer detriment.

4. The output of a market study is a report containing findings based on the research. This may find that the market is working satisfactorily or illuminate the issues of concern. Where problems are found the market study report can include: (i) recommendations for action by others, such as legislatures, government departments or agencies, regulators, and business or consumer bodies; and/or (ii) commitments by the NCA itself to take advocacy and/or enforcement action. As such, a market study can lead to:

- enforcement action according to section 10 or 11 if appropriate
- recommendations for changes to laws or regulations or effectuation of measures for enhanced market transparency according to section 9e
- an intervention according to section 14, or
- advocacy or awareness campaigns.

5. In addition, market studies are used to build competence; to give economists and lawyers, i.e. case handlers in the respective market sections of the Authority, an in depth knowledge of priority markets. Not the least, market studies support the NCA's strategic ambition to become a preferred source in analysis and the public debate on competition policy.

6. The recommendations contained in a market study, provided reasons for concern can be raised, will be based on the specificities of the market and its regulations, a thorough competition economic analysis and understanding of competitive potential and constraints of the market, in addition (if relevant), to best practice and experience from other countries comparable to Norway on key factors.

7. Market studies are typically initiated by the NCA itself. However, it is important to note that in Norway, the "competition authorities" formally consists of the King-in-Council (i.e. the government), the Ministry for Industry, Trade and Fisheries as well as the NCA. The Ministry provides the framework for the NCA's activities. As such, the Ministry can ask the NCA to conduct a study of a specific market. For instance, in 2016, the Norwegian Competition Authority, under a commission from the Ministry of Trade, Industry and Fisheries, analysed the conditions for competition in the petroleum industry and more specifically, assessed how competition policy instruments eventually could be used to counteract the harmful effects of buyer power.

8. Although not very typical, market studies can also be commissioned by the NCA from an external party. Among the few examples are *Competition in the dairy sector – status and proposed measures* (2005). This report, prepared by the consultancy firm Econ Analyse, studies competition in the Norwegian dairy sector, and based on the analysis presents proposals for measures that can enhance competition. Another is *Competition in the broadcasting markets* (2008). This report, prepared by three professors at the Norwegian School of Economics and Business Administration, focuses on competition issues in the Norwegian broadcasting markets. Particular attention is given to exclusive dealing and competition between different platforms for distribution of TV signals.

9. It can also be noted that an important part of the collaboration between the Nordic competition authorities, have been joint work in the form of appointing a task force on specific subjects of common interest. The reports are written and edited by cross-Nordic project teams for joint adoption and publication. The reports typically contains a description of the market in the respective countries, an assessment of the competition and reasons for concerns in that regard as well as policy advices to improve the situation.

10. The topics for the reports are typically decided at the annual directors meeting. The market selected for a market study have common characteristics and competition concerns of joint interest, yet enough differences for fruitful cross-border exchange of experiences to be of interest. This comparative approach to market studies also provide the basis for joint policy advice if competition issues are related to regulatory framework. The policy advices of a joint Nordic market study will also have more weight than coming from just one of the authorities.

11. Examples of Nordic market study reports include:

- Competitive Airlines (2002)
- A Powerful Competition Policy - on the Nordic market for electric power (2003)
- Telecompetition (2004)
- Nordic Food Markets (2005)
- Competition in Nordic Retail Banking (2006)
- Capacity for competition – on the Nordic Electricity Market (2007)
- Competition Challenges in the pharmacy and pharmaceutical sector (2008)
- Competition in the waste management sector (2016)

2. Obtaining data for market studies

12. The powers of the NCA to obtain the information it needs to perform its duties are provided in Section 24 of the Norwegian Competition Act ("Duty to provide information and examination").

13. The Section states that:

"Anyone must provide the competition authorities with the information these authorities require to perform their responsibilities under the Act or to meet Norway's obligations under agreements with foreign states or international organizations. Such information may be required in written or oral form within a specified time limit from individual undertakings or groups of undertakings, and may be recorded and retained as audio recordings.

The competition authorities are entitled to require any type of information and access to sources of such information for examination on the same conditions as set forth in the first paragraph.

Information required under the first and second paragraphs can be provided irrespective of the duty to maintain confidentiality otherwise imposed on tax assessment authorities, other authorities levying taxes or fees, and authorities responsible for supervising public regulation of commercial activities."

14. The powers to obtain information according to Section 24 are admittedly intrusive as failure to comply with an information request may have severe consequences. First of all, failure to comply can result in periodic penalty payments according to Section 28 "until the situation has been rectified". Moreover, administrative fines or, ultimately, penal provisions resulting in fines or imprisonment of up to three years may be imposed on anyone "who intentionally or through gross negligence [...] fails to comply with orders under Section 24", according to Section 29 of the Competition Act. Consequently, the powers to obtain information according to Section 24 must be used proportionally, without undue burden on the sources of information.

15. The powers to require information according to Section 24 can also be used as part of conducting a market study. However, the powers are admittedly intrusive, thus the authority will have to be considerate, so that the request for information is perceived as reasonable and well founded, not represents an unreasonable burden and not goes further than necessary.

16. In addition to information obtained based using the authority following from Section 24, information from other sources will be used to fill the picture. Here various approaches are applied, depending on the type of analysis and the extent and type of information needed. Typical information sources are:

- Sector authorities
- Meetings with key stakeholders like branch organisations etc.
- Internet

3. Case studies

17. Three market study cases will be presented in more detail with respect to methodology for information gathering and analysis. These are:

- The Norwegian road fuels market
- The Norwegian mortgage market
- Motor vehicle warranties

3.1. The Norwegian road fuels market

18. Norwegian fuel prices are among the highest in the world. This is mostly due to taxes levied on the products, but, according to studies conducted by the NCA, a weakened state of competition does indeed contribute to the fact. In addition to the negative impact on final fuel prices faced by the consumers, higher fuel prices also induce higher transportation costs and thus a general increase in prices, affecting the Norwegian economy as a whole.

19. Few actors, a high percentage of manned petrol stations, and a relatively large number of petrol stations located in rural areas, characterize the Norwegian road fuels market. In the Norwegian market there were at the time of the latest market study four major retail chains: Statoil, Shell, Uno-X, and Esso, in addition to some smaller firms such as St1 and Best, the latter, an association of independent retailers. The pricing behaviour in the Norwegian road fuels market follows a distinct weekly cycle.¹

20. Consequently, the NCA monitors the fuel retail market closely and has conducted several market studies in this market. The NCA completed its first comprehensive study in 2010, detailing the price cycles and geographical variation thereof. In 2014, the NCA published a second report on the road fuels market. The methodologies employed in the latest project were mainly empirical; the NCA collected comparable data on gross margins in Norway and Sweden in order to contrast the development of Norwegian margins, and collected detailed information from market participants in order to conduct analyses on, among other things, price variation across regions within the Norwegian market.

21. The main findings of the 2014 study were:

- The gross margins realized in the Norwegian road fuels market are relatively higher and increasing faster than those realized in the Swedish market.
- Weekly price cycles are persistent over time and across geographical markets.
 - The introduction of a second price hike Thursdays, has contributed to the increases in gross margins.
 - The structural characteristics of the Norwegian road fuels market facilitates coordinated behaviour.
 - The NCA observes coordinated behaviour in the road fuels market.

¹ As of 2017, the pricing behaviour of Norwegian petrol stations follows a weekly cycle. Monday about midday, all stations increase their prices to a uniform level within each retail chain across Norway, only differentiated due to differences in transportation costs between the storage facilities and each station. One specific retail chain increases its prices first, whereas the other follow, increasing prices to their list prices. The order in which the chains implement their price increases is not regular, and neither is the time interval between the increases of the first chain and those of the others. Following the Monday price increases, prices start to drop Monday afternoon and the following days. Thursday afternoon prices again increase markedly, followed by a gradual reduction, leading up to the Monday price hike.

22. Following the market study of 2014, the NCA built upon the results in a merger case in the Norwegian road fuels market in 2015. The findings of the market study contributed to the speed and precision of the analyses undertaken by the case team, and hence were of great value to the NCA.

3.1.1. Methodology

23. The market study of 2014 aimed at a more comprehensive investigation of the market behaviour of the participants in the Norwegian road fuels market, following the 2010 study. Specifically, the NCA decided to investigate the development of aggregate gross margins over time and to conduct a more thorough investigation of the persistence of the weekly price cycles identified in the 2010 report. The scope and methodology for the two parts of the study will be described in the following.

A comparison of gross margins in the Norwegian and Swedish fuel retail markets.

24. The scope of the first part of the study was to investigate whether prices, and hence gross margins, in the Norwegian road fuel market are higher than in other comparable countries. Due to difficulties in finding comparable retail price data, the NCA decided to focus the analysis on the comparison of Norwegian and Swedish gross margins.

25. Statistics Norway (SSB) provided the NCA with internationally comparable aggregate information on Norwegian pump prices. The data cover the period between January 1990 and December 2012. SSB obtains pump prices from a representative sample (around 100) of Norwegian retailers on the 15th of each month. SSB provided geometric averages of the monthly price observations. Pump prices are inclusive of taxes, value added tax (VAT) and discounts. The NCA calculates the Norwegian gross margin as the average pump price minus all taxes and wholesale prices on petrol.²

26. Svenska Petroleum & Biodrivmedel Institutet (SPBI) provided the NCA with price data from the Swedish fuel retail market. The data covers the period 2001 to 2012. Pump prices are collected for manned filling stations only, and including taxes and VAT, but are net of any discounts. The NCA calculated the Swedish gross margin using average pump price minus taxes, discounts and crude oil prices. The NCA converted the Swedish gross margins into Norwegian kroner using exchange rates obtained from the Central Bank of Norway, in order to make the calculated margins comparable.

27. Due to some withstanding differences between the Norwegian and Swedish price data, it was difficult to determine the exact difference in gross margins. However, the data indicated that the gross margins were relatively similar in Norway and Sweden up until about 2006. The Swedish gross margins were relatively stable over the period of analysis (2001 – 2012) and a recent inquiry by OFT showed relatively stable gross margins in the UK fuel sector in the same period. For comparison, the Norwegian gross margin increased by almost 30% from 2006 to 2012.

28. The NCA concluded that the gross margins in the Norwegian road fuels market increased sharply from 2006 to 2012, and that the increase was significantly higher than compared to Sweden and the United Kingdom.

² Based on a benchmark price, e.g. Platts' benchmark prices on gasoline and diesel, <http://www.platts.com/products/market-data-oil>.

A comparison of price cycles across markets and over time

29. The scope of the second part of the study was to test the persistence of the weekly price cycles identified in the 2010 report. The 2014 study found evidence pointing to persistence of cycles and a weak relation between costs fluctuations and the timing of price hikes. Together with the structural analysis also conducted in the report and the findings of increasing gross margins, the evidence supported a conclusion on coordinated behaviour in the market.

30. The NCA collected data from market participants using Section 24 of the Norwegian Competition Act, which enables the NCA to collect the information necessary to conduct its tasks. The dataset used in the study covered the period between 2006 and 2011, and contained retail prices and sales volumes for petrol and diesel for almost all Norwegian petrol stations. Furthermore, the NCA obtained extensive information about each station.³ Collated with information on input costs and station specific transportation costs, the NCA organized a dataset containing hourly observations on gross margins and approximate sales along with station characteristics, for almost all petrol stations in Norway.

31. The methodological approach to assess the data was mainly using descriptive statistics and presentations of various graphs and figures.

32. The analyses revealed the introduction of the Thursday price hike in 2006/2007, a price hike that has increased substantially over the period since. Furthermore, the analyses demonstrated increases in the Monday price hike, up from an already high level.

33. Additionally, the data confirmed that consumers react to the Monday price hike, in line with the results from the 2010 report. The introduction of the Thursday price hike however, has not led to a reaction from consumers.

34. The analyses of the pricing behaviour further reveal distinguishable differences between markets. In particular, the degree of local competition accounts for a substantial amount of that difference. Markets in which there are no close competitors typically only have a very modest decrease in prices during the troughs, whereas markets with many competitors exhibit considerable price variation.

35. The NCA considers it highly likely that the findings of price cycle changes, namely the introduction of the Thursday price hike absent consumer reaction, reveal some of the underlying causes of the increases in gross margins observed in the market.

3.1.2. Summary

36. The NCA has conducted two market studies of the Norwegian road fuels market since 2010. In both cases, the NCA focussed on empirical analyses, although utilizing mostly descriptive statistics, in addition to qualitative assessments of market structures.

37. In order to obtain the relevant information, the NCA employed its mandate pursuant to Section 24 of the Competition Act to send out compulsory RFIs to market participants, asking for detailed price and cost information.

³ The data included information about location, date of entry / exit, if the station is manned or unmanned, indicators of ownership and operation conditions, etc. The NCA also recorded changes in these factors over time. Further, the NCA used information on neighbouring stations, including a drive time matrix for all stations, to construct various measures on local competition.

38. The findings of the market study informed the NCA on competitive issues in the market and formed a basis for analysis in a subsequent merger case.

39. The market study also worked as a vehicle for information aimed at consumers and market participants. Firstly, to inform consumers of the price cycles and hence helping the consumers to make informed buying decisions. Secondly, to state a clear concern regarding the market structure and behaviour to the market participants, at the time hoping to prevent time consuming merger cases, highly likely to raise concerns.

3.2. The Norwegian Mortgage Market

40. In 2015, the Norwegian Competition Authority (NCA) published a market study of the Norwegian mortgage market. The background for initiating the market study, was observed increases in profitability and margins in the Norwegian mortgage market in recent years. The developments in the banks' profitability and margins were intensively debated in the media. As the banks prepared to increase the mortgage rates in 2013, they made several announcement in the media. Their main message was that increased mortgage rates was a necessity to comply with stricter capital requirements. In addition, regulatory reforms that led to tightened capital requirements for Norwegian banks had been criticized by the industry on the grounds that they created competition on different terms for banks operating in Norway.

41. A substantial proportion of the Norwegian population are homeowners. Home purchases are usually funded by mortgage loans. Thus, proper functioning of mortgage markets is of great importance for consumers. Given the importance of the sector for consumers and the recent developments, the NCA conducted a sector study of the competition in the Norwegian mortgage market. The aim of the study was to identify potential restrictions to competition. Based on the findings, the NCA proposed various measures to promote competition in the sector targeted at both the government and the industry.

3.2.1. Information gathering

42. The study was mainly based on information gathered from a sample of banks operating in the Norwegian mortgage market. The NCA has the opportunity to issue a compulsory order according to Section 24 of the competition act to gather information from the market, and a questionnaire was sent to eleven banks. The selection of banks comprised mainly the largest banks in the mortgage market, but also some smaller banks. Some of the smaller banks were included in the sample because they had relatively low mortgage rates in the period leading up to the market study. In addition, some banks were included because they had fulfilled the capital requirements. In total, the banks in the sample covered about 70% of the mortgage market. In addition, the NCA gathered information from Statistics Norway, Norges Bank⁴, Finance Norway⁵ and Finansportalen⁶.

⁴ Norges Bank is Norway's central bank.

⁵ Finance Norway is the industry organization for the financial industry in Norway.

⁶ Finansportalen is a website operated by the Consumer Council where consumers can compare offers in the banking-, insurance-, and investment market and remittance services abroad.

43. The questionnaire consisted of both quantitative and qualitative questions. The NCA asked for information from a seven-year period, from 2007 to 2013. The data contained information on daily interest rates, quarterly information of costs of financing, and different measures of how the banks fulfilled their capital requirements. The banks were also asked to give written descriptions of relevant factors that had influenced changes in the mortgage rates, how the cost of financing mortgages had changed in the period, and how they had fulfilled the regulatory capital requirements. In addition, the banks were asked to submit internal documents regarding changes in the mortgage rate.

3.2.2. Information analysis.

44. The analytical methodology used in the market study was descriptive statistics. The data was used to analyze the development in the interest rates, and in the margins on mortgages. The variation in the interest rates was calculated using relative standard deviation. Because the banks in the sample were of different sizes, all of the variables were weighed according to the banks' size.

45. The NCA found a significant increase in the banks' average margins in the mortgage market from 2012 and onwards. Another finding was that after the financial crisis, there had been a reduction in the variance of mortgage rates offered by various banks. Less variance in prices in addition to high margins may be an indication of collusive pricing behavior. The margins were especially high and the variance especially low in the last quarters of the sample period.

46. The NCA concluded that the market conditions in the mortgage market facilitated coordination on prices. There are entry and expansion barriers in the market that limit the ability of potential players and smaller banks to challenge the major banks' pricing behavior.

47. The increase in the margin and the reduction in the variance of mortgage rates coincided with the introduction of regulations that tightened capital requirements for Norwegian banks. To strengthen their capital under stricter capital regulation, the banks mainly used retained earnings that largely stemmed from a rise in margins in the mortgage market. The introduction of stricter capital regulation may have facilitated a collusive outcome in the market by making it easier for the banks to find a common focal point for their prices.

48. The way the Norwegian authorities implemented stricter capital regulations may have had adverse effects on competition among banks. The capital requirements were increased relatively much during a fairly short period. In addition, the regulations were not fully harmonized with the new capital regulations that are about to be implemented in the European Union. Given that home country authorities regulate branches of foreign banks, the NCA found that this created competition on different terms for banks operating in Norway. The capital requirements are essentially higher for Norwegian banks than for branches of foreign banks operating in Norway. In addition, the distinct Norwegian capital regulations cause Norwegian banks to appear less robust than foreign banks. Each of these factors contributes, all else equal, to higher funding costs for Norwegian banks.

49. In addition, the NCA found that the announcements by the banks in the media at the time the stricter capital regulations were introduced, may have reduced the strategic uncertainty in the market and made it easier for the banks to find a focal point. Sharing of strategic information in the media, so called signalling, may have facilitated a collusive outcome in the market because it reduces the independence of the competitors' decision-making and reduces their incentives to compete.

50. The NCA also proposed measures to promote competition in the sector. These were targeted at both the government and the industry. One proposed measure was that Norwegian authorities should aim at assessing the competitive aspect and conduct in-depth analyses of competitive consequences when designing and implementing regulations in the future. In addition, the NCA proposed to harmonize the Norwegian capital requirements with the capital requirements in the European Union. The NCA also committed to pay great attention to changes in practices and regulations concerning signalling. Another measure to promote competition in the sector was to make Finansportalen more publicly known, and the process of switching between banks more accessible to consumers.

51. As a final note it can be mentioned that an immediate effect of the attention the study received was a notable reduction in signalling through the media, and a corresponding raised awareness among key actors in the sector related to the NCA's concerns in this regard.

3.3. Motor vehicle warranties

52. The market study was initiated based on a series of complaints received by the NCA alleging that some motor vehicle importers' warranties for new cars were conditional on repair and maintenance work being carried out within the authorized repair networks. In addition, the NCA had received a request for guidance from the Norwegian Automobile Association (Norges Automobilforbund, NAF) regarding the legality of such warranty conditions.

53. Thus, the purpose of the inquiry was to investigate whether such conditional warranties could represent a restriction of competition in the market for repair and maintenance services in Norway and as such, a possible infringement of Section 10 of the Norwegian Competition Act.⁷

54. The NCA gathered details on warranty conditions from the 19 largest car importers in Norway, in addition to obtaining valuable information from our European colleagues, in particular the Swedish and Spanish competition authorities.

55. The review revealed that many warranties included a number of misleading, contradictory and unclear warranty conditions, suitable to create so much uncertainty that many car owners might choose authorized repair shops to eliminate the risk of losing their warranty rights.

56. The result of the market study was a report and a pamphlet addressing the problematic warranty practices of the car importers. The report was targeted at car owners, and included concrete advice, in accessible language, on how using independent repair shops would not result in a loss of warranty.

⁷ Section 10 of the Competition Act corresponds to Article 101 TFEU

3.3.1. Methodology

57. Information for the market study was obtained mainly through the use of section 24 of the Competition Act. The 19 largest car importers received compulsory RFIs asking for detailed information on the warranties they issued, as well as agreements, stipulations and guidelines pertaining to these warranties. All 19 undertakings answered in time and provided the Authority with a substantial body of documents to work with.

58. In addition, the NCA received voluntary input from several industry bodies and other interested parties such as independent repair and maintenance undertakings. Some of the input was provided through meetings.

59. Furthermore, the NCA sent RFIs to several members of the European Competition Network. The Spanish and Swedish competition authorities had had experience dealing with similar issues, and provided the Authority with valuable input.

3.3.2. Analysis

60. The obtained documentation revealed a widespread use of misleading, contradictory and unclear warranty conditions, which were liable to confuse consumers to the extent that they would avoid using independent repair shops to eliminate the risk of losing their warranty. These agreements and practices were deemed harmful to consumers and likely to reduce the level of competition in the sector.

61. However, the inquiry did not reveal sufficient evidence of infringements of Section 10 of the Competition Act, and as such did not result in any infringement decisions, commitments or fines. All the same, the documented practices of the car importers did warrant some form of action from the Authority in order to ensure that consumers were truly free to choose between independent repair shops and importer authorized repair shops. The authority decided to produce a report based on the findings of the inquiry, as well as a brief pamphlet summarizing the main conclusions.

3.3.3. Results

62. The Authority chose to target the report at consumers. Thus, the report is written in a clear and easy to understand language, with concrete advice for car owners. However, in the report, the NCA also provides legal guidance to car importers and retailers by clarifying which warranty conditions are likely to cause an infringement of Section 10 of the Norwegian Competition Act. The guidance in the report follows similar guidance given by the European Commission, the EFTA Surveillance Authority as well as legal practice from other Member States.⁸

63. The report makes clear that the use of misleading, contradictory and unclear warranty conditions may be considered to infringe the competition rules. Such warranty conditions may restrict competition from independent repair shops, as they may create so much uncertainty that car owners choose authorized repair shops to eliminate the risk of losing their warranty rights.

⁸ Supplementary Guidelines on Vertical Restraints in Agreements for the Sale and Repair of Motor Vehicles and for the Distribution of Spare Parts for Motor Vehicles (OJ 2010/C 138/05), Frequently Asked Questions on the application of EU antitrust rules in the motor vehicle sector, the EFTA Surveillance Authority Notice (OJ 2012/C 307/03), as well as in the legal practice from other Member States (see for instance, the judgment of the Swedish Market Court against Kia Motors Sweden AB - MD 2012:13 and the decision from the Spanish Competition Authority against Mazda Automóviles de España - RESOLUCION S/0300/10: see ECN Brief 5/2012: http://ec.europa.eu/competition/ecn/brief/05_2012/es_mazda.pdf).

64. In addition, a pamphlet was printed, containing the main points as well as concrete advice related to the choice of car repair shops. The pamphlet had a practical format, so that car owners could bring it to repair shops or the car importers. It contained concrete rules and advice for car owners to use when meeting importers or repair shops, and made it clear that, as a rule, choosing an independent repair shop would not result in a loss of warranty.

3.3.4. Impact

65. The report received extensive attention in the Norwegian media, which resulted from a well-planned and focused effort to maximize media coverage. Prior to the release, the Director General and the project manager had separate meetings with a journalist from a major newspaper in Norway, resulting in a two-page article when the report was published. The broad media coverage contributed substantially to raise car owners' awareness of their rights.

66. After the report was published, the NCA held several meetings with different organizations representing car owners as well as the car industry in Norway. In these meetings, the NCA's tasks, the background for the report, the issues, concerns and recommendations were presented, using simple graphical language with green, orange and red traffic lights showing what is, and what is not allowed in relation to car warranty terms.

67. As a result of the inquiry, several car importers immediately amended their warranty conditions.

68. In addition, sometime after the report was published, the NCA sent a follow up letter to the car importers operating with the most unclear car warranty conditions, and asked to receive information on any changes in terms that had been made.

69. The survey revealed that the inquiry and the report led to positive changes, not only related to the removal of warranties explicitly conditional on the use of authorized repair networks, but also through the elimination of misleading, contradictory and unclear warranty conditions. The NCA continues to monitor competition conditions in the market for repair and maintenance services.

3.3.5. Summary

70. The market study on motor vehicle warranties revealed practices that had the potential to be harmful to competition and consumers. Although not suited for a typical infringement decision, the case warranted some form of action from the NCA. A report and pamphlet, targeted at and adapted for consumers, outlining the problematic nature of certain types of practices was a successful means of advocacy. The active use of media amplified the findings and recommendations to reach a widest possible audience, which was of particular importance due to the nature of the target group. Because of the report's findings, and the subsequent attention brought to the subject, there was a positive change in conduct and practice from the car importers and dealers.

4. Concluding comments

71. The use of market studies is an important instrument to fulfil the NCA's tasks, which is to supervise competition in the various markets, as well as furthering competition and facilitating market access by new competitors through influencing market structures.

72. The market study examples presented here illuminates that a wide range of approaches are used, all depending on the nature of the problem studied. The studies presented also support the notion that market studies can be quite successful in influencing change, e.g. in market behaviour by participants as well as regulations restricting competition. Thus, market studies are an important proactive complement to reactive enforcement action against individual undertakings in the NCA's work to supervise competition in the various markets.

73. However, a caveat is also pertinent. First; market studies are heavy on the use of specialized competencies. Success depends on access to, or the ability to mobilize or build such specialized competencies, for instance sophisticated econometric analyses or in depth knowledge of the problem area in focus. Yet another lesson is that market studies are also extremely resource consuming. In the NCA's experience, once a decision to conduct a market study is taken, this will require approximately 6000 hours of the NCA's resources on average (based on the NCA time registration system). Thus, this heavy use of resources must be weighted against the alternatives, e.g. more targeted approaches or enforcement action in other areas.