

Consumers International (CI) Competition Project

PARACETAMOL

Executive summary

As paracetamol is only sold in pharmacies, there are no alternatives to offer it to the consumers via supermarkets, distribution chains, etc... and consequently, there is no competition in the prices. The price is unique and the only competition exists between brand and generic paracetamol.

We have found out that there is a very little price difference for branded product as it is only sold in pharmacies. However, there is a big difference with generic paracetamol. The generic market in Spain is in its beginning, and market share is very small (scarcely 5%). Consumers should be educated and informed in order to promote generics as our study clearly shows a significant price difference. Promoting the generic market in Spain would be beneficial in reducing public pharmaceutical costs.

Structure of the sector

Globally, it is the most sold ingredient so that the sales of paracetamol in its different forms amounts to 4,4% of the total number of units sold on the Spanish pharmaceutical market. The average price amounts to 2,97 EUR per pack¹. There are 46 different forms on the Spanish market².

The paracetamol market has experienced significant changes in the last five years as, at that time, the pack size of 650 mg has led the sales and now the leader is the pack size of 1 g. Gelocatil (leader of the non soluble packs) for example, has lost 27,5% of sales in case of the 650 mg pack, falling from more than 20 millions of sold units to less than 15 millions five years later³.

In the meantime, the packs of 1 g have increased their sales in such a way that Efferalgan (leader of the soluble packs) has increased its sales by 50%⁴.

There is no evidence of cross-border trade as the increasing implementation of generic medicines at competitive prices reduces the interest of buying in other countries. In fact, the consumption of generic paracetamol in Spain is increasing. The institutional promotion campaigns of generic medicines are bearing fruits even though Spain is situated at the end of the European Union in

¹ Pharmaceutical Specialities Market of the National Health System 2005. General Council of the Association of Official Pharmacists

² Portalfarma: <http://www.portalfarma.com/home.nsf> and Vademecum international <http://www.vademecum.medicom.es/>

³ Web Saludcom Pharmacy http://www.websalud.com/articulo.html?xref=20060724salwsdfar_2&type=Tes&anchor=wsdfarntc

⁴ Web Saludcom Pharmacy http://www.websalud.com/articulo.html?xref=20060724salwsdfar_2&type=Tes&anchor=wsdfarntc

the use of generic medicines with a market share in units of 9,4% in the year 2005⁵ having increased by 17,5% with respect to the previous year.

In that sense, we could observe that the brand medicines are cheaper (when they have a reference price) as when they do not have a reference price and that the generics are more expensive when they have a reference price⁶.

On the other hand, when a certain pack size is subsidized (for example 500 mg) it is more expensive than the larger size of 650 mg⁷.

When a paracetamol containing medicine is prescribed because of its active ingredient and not because of the commercial brand, the pharmacy is obliged by the law to provide the consumer the cheapest product.

Obtaining market information

- On one hand, the National Health Service (SNS) only has data about the medicines subsidized by them and precisely the paracetamol is a medicine mainly sold without prescription.

- In some cases, the distributing companies have provided us with data but these are only partial as in Spain, there is a big fragmentation in the distribution of medicines and it is difficult to obtain data on a national level⁸.

- Actually, the data is available via the Pharmacists' Association and we have asked for it but they only provide partial information.

- The data collection in the 30 pharmacies in urban, suburban and rural areas of the 17 Autonomous Regions was not particularly difficult.

Competition cases

After consulting the Court of Competition Defense⁹, the Integral System of Online Legal Information¹⁰ and Infoconsumo¹¹, we have not found cases related to competition problems in this sector.

⁵ Statements of the President of the Spanish Association of Producers of Generic Pharmaceutical Substances and Specialities (AESEG), Juan Luis Fernández Balaguer, to the Agency EFE

⁶ Conclusions of our study after the data analysis

⁷ Conclusions of our study after the data analysis

⁸ For the assessment of the sector, we count with the collaboration of the Institute Roche. Contact: Jaime del Barrio. Tel: +34913248253

⁹ www.tdcompetencia.es

¹⁰ www.laley.es

¹¹ www.infoconsumo.es

PETROL

Executive summary

- The liberalization on the petrol market has had poor success as, in Spain, the market shares of the three biggest companies (Repsol YPF, Cepsa and BP) have scarcely varied in the last years and reach 67% of the total.
- The main brands are still fixing the petrol prices so that the market is not working correctly whereby the Spanish consumers are protected by the legislation and the action of the Court of Competition Defense that continues to fine and penalize them.
- To compare between brands. The differences can be better found in the brands and not in the areas.
- This difference is often due to the fact that some sales points are close to the refineries, so that the transport is less expensive and consequently, the petrol prices can be more competitive. According to all studies, the autonomous taxes, the closeness of the refineries and the pressure to the decrease of prices that the associated sales points do apply are the main factors of the final price.
- Stagnation of the park of service stations due to difficulties to grow in a sector where few companies control more than half of the market or because of mergers with other competitors.
- Decreasing tendency in the national petrol consumption as consequence of the readjustment that is suffering the Spanish market because of the unstoppable dieselization of the car fleet.
- The price variation in the litre of petrol in the different areas of Spain does vary only a little, 7 cents in the extreme case. Actually, there is poor price dispersion on the petrol market.
- The consumer has to pay attention to the news about decisions and sentences about competition problems that are normally covered by all the media. Usually, it is dealt with extensively informing about the reported company, the reason and the sanction imposed. Whereby in this case, like in all others, the consumer is paying more attention on the fact whether the news is given by a Consumer Association instead of by the Court of Competition Defense or the competing companies in this sector.
- The consumers do not know until what point they are affected by the competition problems, they still believe that these problems do only affect the companies.
- There are no informative campaigns on the part of the authorities.

Structure of the sector

The final consumption of liquid hydrocarbons in Spain in the year 2005 has reached the number of 74,74 million tons, an increase of 1,7% with respect to the previous year.

As in last years, the petrol is presenting a downward tendency because of the dieselization of the Spanish car fleet.

Year after year, the decreasing tendency of the petrol demand in Spain is strengthen. In 2005, only the consumption of petrol 95 IO has shown a positive figure with respect to the previous year increasing by 1,1% over 2004 (5,96 million tons).

The consumption of unleaded petrol 95 has reached 5,9 million tons in 2005, representing 82% of the total amount of car petrol.

(Thousands of tons)	2005	2004	% change
Unleaded petrol 95	5.956	5.892	1,1

Distribution chains

The distribution type, usually applied to petrol, is the exclusive purchase through which the distributor commits to be supplied from only one producer.

The main sales are still carried out through the leading companies; the sales in the hypermarkets represent a very low market share.

The consumers have the possibility to choose between different brands (In Spain, there are a total of 15 brands) but the reality is that the big companies mark the prices and all other petrol stations follow them. Furthermore, the petrol stations of the big companies, in most cases self-service stations, achieve larger margins and can better competitive since they do not employ staff.

It depends also on the area where the customer lives. If it is a rural area, the customer goes to the nearest petrol station, even if it is more expensive or cheaper than those further away because many kilometres do not compensate saving some cents.

Prices

In Spain, the average recommended retail pricing (RRP) of unleaded petrol 95 amounted to 0,962 EUR/Litre last year. The average RRP per Litre in Spain has been 0,248 EUR lower than the price registered in the EU-14.

In the first months of 2006, the unleaded petrol 95 has accumulated an increase of 11%.

Taxes

In 2005, the taxes on fuel (special tax on hydrocarbons, tax on retail prices of determined hydrocarbons and VAT) have meant, in case of unleaded petrol 95, 56% of the retail price.

Legislation

The most recently approved legislation is that related to the information tasks of those obliged to maintain a minimum existence of security of oil products including the liquefied gasses of petrol and of natural gas as well as the faculties of inspection of the Corporation of Strategic Reserves of Oil Products.

The Government is studying the possibility to increase the Special Taxes subject to fuel which are practically frozen since many years.

Latest news

The representatives of the petrol stations have lost the demand lodged at the Court of Luxembourg against the decision of the Government that the hypermarkets are allowed to open petrol stations in their parking spaces without the need to ask for new planning permissions.

The Court has considered that the Spanish legislation which permits this activity does not harm the European Regulations nor represents an illegal help of the State like the representatives of the petrol stations have argued.

Obtaining market information

- There was no problem to obtain the petrol prices as all service stations have signs announcing the prices of their products.
- Furthermore, all wholesale operators and all persons managing a sales point of petrol for the supply to vehicles are obliged to send the prices used at this sales point to the Ministry of Industry through its websites or via an sms each Monday and each time when they modify the prices.
- The references to obtain other data mentioned in the study are as follows:

References

Sources:

1. 214 petrol stations whose names and locations are specified in the study
2. Databank and Infoconsumo's Documentary Centre Press/Legislation/News (www.infoconsumo.es)
3. Internet:
Ministry of Industry, Tourism and Trade (<http://www.mityc.es/es-ES/index.htm>)
Confederation of Service Stations
<http://www.mundopetroleo.com/asociaciones/ceees/ceees.asp?cod=255>
Spanish Association of Operators of Oil Products
<http://www.aop.es>
National Energy Committee
<http://www.cne.es/cne/Home>

The data has been collected on the mentioned websites. When the needed data was not mentioned in the internet, we have asked the associations and organizations mentioned under point 3 for it, which we have contacted by e-mail but none of them has answered.

Market share data

- Consumption:
Consumption of unleaded petrol 95: 82%
Consumption of unleaded petrol 98: 12%
Consumption of unleaded petrol 97: 6%

TOTAL 100%

- Taxes: (Data from May 2006)
Price without taxes: 49 %
Taxes: 51 %
TOTAL: 100%

- Number of service stations (December 2005)

- REPSOL YPF :	3.618 (42%)
- CEPSA:	1.521 (18%)
- BP:	635 (7%),
- DISA:	485 (5%)
- AGIP:	313 (4%)
- GALP:	223 (3%)
- MEROIL:	200 (2,5%)
- ERG:	124 (1,4%)
- ESSO:	86 (0,9%)
- ESERGUI:	92 (1,06%)
- TEXACO:	60 (0,6%)
- Q-8:	37 (0,4%)
- TOTAL:	14 (0,16%)
- HYPER/SUPERMARKETS:	187 (2,1%)
- COOPERATIVE WHITE LABELS:	1000 (11,%)
- OTHERS	(1,38%)
- TOTAL:	100%

Competition cases

Although since 1998 the petrol prices are “free” in Spain, the reality is that the liberalization on the petrol market has had poor success as, in Spain, the market shares of the three biggest companies (Repsol YPF, Cepsa and BP) have scarcely varied in the last years and reach 67% of the total.

The reason why some companies like Repsol YPF and Cepsa have been fined by the Court of Competition Defense is because they continue to fix the prices. The productive and distributing capacities of the big oil companies are decisive elements for the final petrol prices.

- In June 2000, the Spanish Government has announced a law to promote the competition on the market of goods and services, also on the petrol market, which regulated the permission of hypermarkets to include at least one installation to supply petrol. Some operators of service stations presented a complaint to the European Commission complaining that the new legislation would be equal to a governmental support in favour of the owners of hypermarkets, thus restricting competition. However, in December 2006, the European Court of Justice judged that the decision of the Spanish Government to allow hypermarkets to open service stations is legal and do not mean competition problems nor represents a governmental support.
- April 2006:

Report presented by the Association of Service Station Owners and Supply Units of Andalusia against REPSOL S.A. and REPSOL COMERCIAL DE PRODUCTOS PETROLÍFEROS S.A., because of supposed conducts prohibited by the Law 16/1989, of 17th July, of Competition Defense (LDC), consisting of violation of the national and community competition regulation by non-compliance of the regulation that prohibits to fix prices and limits the maximum duration of the supply contracts.

REPSOL S.A. has committed a practice prohibited by art. 1.1 of the Law for Competition Defense when fixing the customer sales prices of fuel to the suppliers which act under a supposed system of commission or agency.

In the year 2001, the Court of Competition Defense pronounced a resolution in which it was agreed: to declare that REPSOL S.A. had committed a practice prohibited by art. 1.1 of the Law for Competition Defense when fixing the customer sales prices of fuel to the suppliers which act under a supposed system of commission or agency, to invite REPSOL S.A. to stop fixing prices with service stations to which they are linked due to a contract with similar characteristics and to fine REPSOL S.A. 500 millions Pesetas (3.005.060,52 Euro) because of practices contrary to art. 1 LDC.

Against this resolution, Repsol S.A. lodged a judicial-administrative complaint.

In April 2006, the Court of Competition Defense has decided to execute the decision of the resolution of 2001 and fine Repsol S.A. 3.000 EUR per each day of delay.
- November 2004:

Rejection of the appeal lodged by Disared de Servicios Petrolíferos, S.A. (oil-bearing services) against the resolution of the Court of Competition Defense of 31st May 2002 (legal proceedings no. 520/01, Disared). The conduct declared contrary to art. 1.1.a) LDC and to art. 81.1.b) Treaty on European Union and penalizad (300.000 EUR) consists in including the following clauses not allowed by the Regulation 1984/83 nor by the Real Decree 157/92 of exemption by categories: excessive duration of the contracts, exclusivity of lubricant sales, fixing of resale prices, capacity of Disa to inspect service stations and prohibition of industrial activities not allowed by Disa.

- The latest decision of the Court of Competition Defense dates from April 2006 and imposes Repsol S.A. an obligatory fine of 3.000 EUR per each day of delay in proving the fulfilment imposed by a decision in the year 2001 and the company is asked to stop fixing prices in the relations with petrol stations to which they are bound as they are harming the national and community competition regulations by not observing the regulations that prohibit fixing prices and that limit the maximum duration of the supply contracts.

PRINTER INK CARTRIDGES

Executive summary

As global conclusion of the study we can see that the variety of market prices of Canon ink cartridges is wider than that of HP. Also the price differences of Canon are higher than those of HP.

With respect to compatible ink cartridges, in case of Canon, the market reflects a very high extent of prices.

Regarding the distribution, we could observe that the different chains have a different behaviour with respect to the consumers:

- The chains of office equipment usually have only a little offer in their stores and generally it is required to order from their catalogues so that the customer has to wait for the delivery.
- The specialist ink stores have a bigger offer and are professional in the customer service. They also offer the alternative of refillable cartridges which in many cases is their main activity.
- The computer chains generally do not have competitive prices. The price offers on hardware (printers) are generally not applied to ink cartridges.
- The purchases via online shops are reaching a higher market share as they have cheaper prices than the big surfaces (only when buying several ink cartridges as otherwise the delivery costs increase the price of the product considerably). There are numerous companies dedicated to the online sales but the internet users still do mistrust this possibility.
- Normally, the big surfaces have only one generic alternative per product (with own brand) for each model. Often, they do not have the original product and the labelling is not correct so that the information about the model of the ink cartridge and the price do not correspond leading the consumers into error. They usually have only little stock and considered as a shop of less interest.

The most important conclusion regarding prices, choice and availability:

The independent shops usually have a larger price difference between brand and generic products. They are the best option for the consumer. Hypermarkets and

supermarkets are the worst option as they have only a small possibility of choice for the consumer and the information available at the sales points or the availability of products is often not correct.

Structure of the sector

The three most sold brands are HP, Epson and Canon. With respect to the sales volume and market share of the main brands of printer ink cartridges, in case of Canon the most sold product is the black ink cartridge BCI-3EB with a sales volume of more than 605.000 units. The black ink cartridge BCI-24B is the second most sold Canon product with more than 500.000 sold units¹². These figures correspond to the year 2005 with a market share of 7,3% at the end of 2005.

With respect to EPSON, the most sold black ink cartridges are the following products: Ref: TO61140, TO44140 and TO36140¹³.

In case of HP the most sold black ink cartridges are the products N° 15 and 23 for the printer DESKJET 810/820/850¹⁴.

In addition to the main brands like HP, Canon or Epson, the consumers have also various options to buy such type of products having a clear segmentation of original and generic products. There is for example, Jet Tec Spain¹⁵, producer number one in Europe of compatible cartridges for ink-jet printers at a considerably lower price than those of the originals. Furthermore, there are many other brands like Lexmark, Brother, etc....

The data and conclusions with respect to the **cross-border trade** are as follows¹⁶:

The exports of printer ink cartridges in the year 2006 amount to:

WEIGHT (Thousands of kg)	VALUE (Thousands of Euros)	Number of OPERATIONS
725,5	19.161,1	820

Most export operations have been carried out with countries like Andorra, France, Gibraltar, Italy, Portugal and United Kingdom due to the closeness via road transport or short sea shipping.

¹² Source: Consumables& Services Product Manager, Service& Support Group of CANON SPAIN, S.A. Contact: Julián Arribas e-mail: j_arribas@canon.es, Tl: +3491 5384 652, Fax: +3491 5900 115

¹³ Source: EPSON Spain. Contact: José Pereira. Marketing Department. e-mail: jose_pereira@epson.es Tel: +3493 582 15 00

¹⁴ Contact: Communication Department of HP: Gema Hasenbeim. Tel: +34 91-634-8800. They refer to Press ([prensa_hp.es@bm.com](mailto:press_hp.es@bm.com)). We do not receive answers.

¹⁵ Contact: Nuria e-mail: contabilidad@jettec_spain.com. Tlf: +34 91 659 07 30

¹⁶ Source: Database of Foreign Trade (<http://aduanas.camaras.org>) (Annex I)

With respect to the imports during 2006, these are the following data:

WEIGHT (Thousands of kg)	VALUE (Thousands of Euros)	Number of OPERATIONS
617,3	37.386,8	475

The main countries from which we import this product are: Germany, United Kingdom, USA, Japan, France, China and Italy.

That means that the Spanish market is clearly an importer of printer ink cartridges with a value that is approximately twice the value of the exports carried out¹⁷.

Obtaining market information

First, we have contacted the main producers observing that it is difficult to obtain data related to sales volumes which seems to be a hermetic and little transparent information. Even so, we could obtain the volume and market share of one of the main brands which is Canon as well as the information about its most sold products. We got this information from the Consumables & Services Manager Department. Also the Marketing Departments of HP and Epson have sent us by e-mail information about the most sold products.

As a second step, we have contacted the National Statistic Office (in Spain it is the INE – National Institute of Statistics)¹⁸ that informed us that there is no public data regarding the sales volumes of printer ink cartridges.

Then, we have contacted market investigation companies like PricewaterHouse Coopers¹⁹, info Trend/Cap Ventures²⁰ and GFK²¹ which answered that due to contractual reasons they cannot provide information as this is the object of their business available against payment.

We had more success with AETIC²² (Association of Electronic, Information Technology and Telecommunication Companies of Spain) which has sent us by post the “*Annual Report of the Spanish Sector of Electronics, Information Technology and Telecommunications*” from which we could obtain the data related to the sector of consumables.

¹⁷ Data analysis of the Annex I (Database of Foreign Trade)

¹⁸ http://www.ine.es/prodyser/pubweb/anuarios_mnu.htm

¹⁹ <http://kc3.pwc.es/local/es/kc3/PwCAudit.nsf/fichasexterna/Ordenadores%20y%20Perifericos?OpenDocument>

²⁰ Contact: Alison Hipp. E-mail: alison_hipp@capv.com

²¹ GFK GROUP SPAIN. Contact: Jesús Domínguez Pérez, Business Manager, Information Technology. Tel: +34 91-591-99-40. jesus.dominguez@gfk-emer.com, www.gfk-emer.com

²² Contact: Mónica Calle Vaquerizo. Office of Investigation Results Transfer. Tel: +34 915 902 300. otri@aetic.es

From the State Agency of Tax Administration (AEAT)²³ as well as from the Database of Foreign Trade, we could obtain the data related to the cross-border trade having used the following methodology:

On the website of the State Agency of Tax Administration (Oficina Virtual/Aduanas e Impuestos Especiales/ Consulta del Arancel Integrado) we could find the TARIC code (Integrated Community Tariff)²⁴: With this data, we could look for information in the Database of Foreign Trade.

We would like to point up the opacity of the companies to provide data as well as the limited statistical information offered by the public administrations.

Competition cases

After consulting the Court of Competition Defense²⁵, the Integral System of Online Legal Information²⁶ and Infoconsumo²⁷ we have not found cases related to competition problems in this sector.

GENERAL NOTE FOR ALL THREE SECTORS

With respect to the Law of Competition Defense we would like to add the following information:

There is a bill of Competition Defense going through the Congress whose main objective is the reform of the Spanish System of Competition Defense in order to reinforce the already existing mechanisms and to provide the ideal instruments and institutional structure to protect the effective competition on the markets bearing in mind the new Community Legislative System and the competences of the Autonomous Regions for the application of the regulations related to restrictive competition practices.

If it is finally approved like it is, it will revoke the Law 16/1989, of 17th July, of the Competition Defense, which is currently in force.

²³ State Agency of Tax Administration www.aeat.es.

²⁴ Nomenclature...: 3215.90.80.10 --- Ink formulation for use in the manufacture of ink jet cartridges

²⁵ www.tdcompetencia.es

²⁶ www.laley.es

²⁷ www.infoconsumo.es