



COMPETITION APPEAL TRIBUNAL

**NOTICE OF APPEAL UNDER SECTION 46 OF
THE COMPETITION ACT 1998**

CASE NO 1134/1/1/09

Pursuant to rule 15 of the Competition Appeal Tribunal Rules 2003 (SI 2003, No 1372) (“the Rules”), the Registrar gives notice of the receipt of an appeal dated 20 November 2009, under section 46 of the Competition Act 1998, by G&J Seddon Limited and Seddon Group Limited (together, “Seddon”) in respect of a decision in Case CE/4327-04 dated 21 September 2009 (“the Decision”) taken by the Office of Fair Trading (“OFT”).

According to the Decision, the OFT imposed a penalty on Seddon of £1,516,646 in respect of three infringements of collusive tendering by cover pricing. Seddon submits that the penalty imposed by the Decision has been calculated arbitrarily, is excessive, disproportionate and unjust and should be reduced.

In particular, Seddon submits that the OFT’s penalty calculation is flawed for the following reasons:

- (a) The OFT chose to apply a Minimum Deterrence Threshold based on the consolidated turnover of Seddon’s group turnover for the purposes of the penalty calculation. This massively inflated the penalty that would otherwise have been imposed on Seddon. It is submitted that the OFT should have restricted its use of group turnover to Seddon’s turnover in tendered construction activities and not included group turnover in other types of construction activities and in activities unrelated to construction. It is further submitted that what the OFT has done in Seddon’s case is unreasonable and disproportionate.
- (b) The turnover to be taken into account for penalty calculation purposes should only be that turnover derived from the activities where cover pricing was carried out. The OFT incorrectly rejected Seddon’s submission that cover pricing only affected tendered work and therefore turnover in non-tendered work should have been excluded.
- (c) The penalty is excessive because the OFT failed to take into account the low margins but relatively high turnover prevalent in the construction industry generally. As a result, turnover is not an indication of and is in fact unrelated to financial strength.
- (d) The OFT found that there is no evidence in relation to Seddon that any of the infringements had any actual effect on prices. A penalty should be lower where the actual impact on the market cannot be demonstrated.
- (e) The OFT has effectively trebled the penalty by imposing a penalty for three infringements which is unjust. In addition, the choice of three infringements by the OFT is arbitrary.
- (f) The Decision discriminates by comparison with undertakings involved in the more serious practice of making compensation payments, in breach of the principles of equal treatment and non-discrimination.
- (g) Seddon had a right to have received a penalty calculated in accordance with the guidance in force at the time the infringements occurred by using turnover in the year of infringement not the last business year approach. Moreover, instead of taking actual turnover relevant to the year in which each infringement took place, which would have had at least a direct correlation to the OFT’s case, the OFT has selected a year which has no correlation to the actual infringements.

Seddon seeks the following relief from the Tribunal:

- (a) to set aside the Decision in part as it relates to the penalty imposed on Seddon by the Decision;
- (b) to revoke, alternatively to reduce, the penalty imposed on Seddon by the Decision;
- (c) an order that the OFT pays Seddon's costs of and incidental to this appeal; and
- (d) such other relief as the Tribunal may consider appropriate.

Any person who considers that he has sufficient interest in the outcome of the proceedings may make a request for permission to intervene in the proceedings, in accordance with rule 16 of the Rules.

A request for permission to intervene should be sent to the Registrar, The Competition Appeal Tribunal, Victoria House, Bloomsbury Place, London, WC1A 2EB, so that it is received within **three weeks** of the publication of this notice.

Further details concerning the procedures of the Competition Appeal Tribunal can be found on its website at www.catribunal.org.uk. Alternatively, the Tribunal Registry can be contacted by post at the above address or by telephone (020 7979 7979) or fax (020 7979 7978). Please quote the case number mentioned above in all communications.

Charles Dhanowa OBE
Registrar

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