

The Competition Commission
Victoria House
Southampton Row
London
WC1B 4AD

5 September 2013

Dear Sirs

Competition Commission – Audit Market Concentration – provisional decision on remedies

LAPFF is very supportive of the proposals of the Competition Commission for compulsory retendering of the statutory audit contract every five years. That position is held on the basis of both the competition aspect and the resultant audit quality aspect.

In respect of the core competition objective, for which only four firms supply most of the FTSE 350 with statutory audit services, 10 year or longer retendering is not going to deliver a market based solution to the competition problem.

LAPFF notes that the orchestrated campaign by the Big 4 Audit firms against five year retendering does nothing to resolve the core problem of market concentration in a credible timescale.

LAPFF would suggest that if market based solutions, such as five year retendering, are not agreed upon for whatever reason, then the Competition Commission should move to more orthodox solutions to resolve the problem of only four firms.

One simple solution would instead be to place a market share cap on any one firm's supply of statutory services to the FTSE 100, and the FTSE 250. That is a similar approach to that used to deal with airport concentration in the South East of England.

A 10% cap would require four firms to reorganise to become at least 10.

Yours sincerely,

Cllr Kieran Quinn, Chair

CC Ashley Hamilton, Shareholder Engagement Executive, PIRC (ashleyh@pirc.co.uk)