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By email: lucy.eyre@cma.gov.uk

2 December 2024

Dear Lucy

Investigation into veterinary services for household pets

Thank you for the invitation to submit further information to take into account as you finalise the working papers, which you expect to publish in January.

We have previously made clear through our written submissions, and in our Teach In delivered jointly with the British Veterinary Nursing Association, that we support healthy competition, consumer choice and diversity of business models so that clients are able to select from a range of veterinary service providers, choosing the best option for their needs and for the health and welfare of their animal. We have also been clear that any regulatory or targeted structural remedies designed to address issues in the functioning of the market, whether real or perceived, must not jeopardise animal welfare, vets' professional judgment and clinical freedom, or the all-important vet-client-patient relationship (VCPR).

Animal welfare and the Vet-Client-Patient Relationship

We remain particularly concerned about any potential remedies which risk reducing the VCPR to a transactional arrangement. These include:

- **Annual 'wake-up' letters**, which are usually reserved for services such as insurance or utilities providers where customers are prompted to review whether they are still getting the best deal for their money.
- **Comparison tools** for pricing and quality information, which are not appropriate to the way in which veterinary care is delivered and valued by clients.
- **Mandating quality/outcomes measures**, which fails to take account of the lack of statistically significant data, variability in case complexity, treatment protocols, and patients, which could lead to misleading comparisons and potentially misinform consumers rather than aiding decision-making.
- **Mandating longer prescription periods** without allowing vets to use their clinical judgement could seriously threaten animal welfare. Vets choose prescription durations based on the animal's specific medical needs. Extended periods could lead to antimicrobial resistance, unmonitored side effects, or worsening conditions without timely check-ups.

We were extremely pleased to hear Martin Coleman's acknowledgement during his speech at BVA Congress of the care and professionalism of veterinary professionals and his recognition that animal welfare is at the heart of veterinary practice. We hope and trust that the working papers will also reflect this.

Pet owners' experience

We welcomed the opportunity to comment on your draft consumer survey but raised significant

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concerns that many of the questions were leading and risked creating response bias. The collection of this data is an important part of the investigation and therefore, gathering accurate and unbiased information is vital to gain meaningful insights into pet owners' experiences. In the draft we saw, the wording and structure of questions was such that negative responses may inadvertently be encouraged.

We recommended ensuring that questions are phrased in a neutral manner and that respondents are provided with a wider range of options, including open-ended responses. This approach would help to capture a more balanced and authentic set of views, thereby reducing the risk of response bias. Although we offered to assist further in refining the survey this was not possible due to your statutory timeline. As we have not seen the final version, our concerns remain regarding the reliability of the data.

Veterinary medicines

We greatly appreciate the recent update outlining the intended subject areas of the five working papers and note that one of these will relate to veterinary medicines. As we have previously outlined, veterinary medicines sometimes cost considerably more than chemically identical human equivalents because they are subject to a separate licensing procedure specific to animals only. Allowing more flexibility in prescribing generic medications under the Cascade could lead to significant reductions in the use of certain licensed products, which could in turn lead to a reduction in investment in R&D of new medicines as the relatively small veterinary market would not support the associated cost.

The licensing process for veterinary medicines does deliver some important benefits, including improvements to palatability, dose size, and health and safety. However, we do recognise that it is particularly challenging when an unlicensed product that has been used successfully for a long time under the Cascade, often supported by peer-reviewed research, becomes more expensive following licensing for veterinary use.

We would encourage the CMA to liaise with the Veterinary Medicines Directorate (VMD), the National Office for Animal Health (NOAH), and the Home Office regarding the current regulatory framework for veterinary medicines, as veterinary professionals are not able to resolve this challenge at a practice level. At present, pharmaceutical companies are only required to prove the efficacy of their product in one species for one condition for it to fall under the Cascade, and there is no requirement to compare the efficacy against a pre-existing generic.

The VMD could consider changing the marketing authorisation process to require an impact assessment including cost and animal health and welfare implications. Perhaps more importantly, the R&D process should also have ethical considerations built in, as it is arguably too late at the point of applying for a marketing authorisation. We urge careful consideration of the impact of any adjustments to the regulatory framework for veterinary medicines, to ensure that the outcomes benefit both animal welfare and consumers.

Scope of investigation

To date the investigation has been explicitly focused on the provision of veterinary services for UK household pets. However, we have seen increased reference to mixed and equine practice, firstly in the Issues Statement, and more recently in the working paper on profitability and financial analysis. We have previously made clear that care must be taken that any remedies do not disproportionately negatively impact those practices in remote and rural areas, including mixed practices, and we are

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concerned that the investigation is moving towards consideration of the wider veterinary market without sufficient information or understanding of the way in which these services operate. As it is increasingly inevitable that any remedies will impact significantly on all types of veterinary practices it is critical that the CMA engages with such practices and professional Associations from these parts of the veterinary sector in order to avoid any unintended consequences for the sustainability of these businesses, provision of services to clients and for animal welfare.

Profitability

We recently responded to your working paper on the approach to profitability and financial analysis, raising a number of concerns including:

- The period under consideration, which at five years spans wide uncertainty and significant flux in the market.
- The intention to measure profitability on an operating basis, thereby excluding the impact of interest and tax. This fails to recognise that interest payable on loans is a real challenge for independent vets and may severely overestimate the returns for some independent practices.
- The approach to asset valuation, including goodwill, which the paper indicates will only be included as part of the approach to profitability analysis for the large corporate groups.

We consider there is a very significant risk that the approach as set out will create distorted outputs which have the potential to lead to suggested remedies with significant unintended consequences for the sustainability of veterinary practices, consumer choice, and animal welfare.

Regulation

We are pleased that the CMA has recognised that urgent reform of the outdated Veterinary Surgeons Act is needed, and that regulation of vet practices should be introduced, a change we have consistently campaigned for. As it stands, the legislation is not fit for purpose and is failing both vet teams and clients. We hope that the outcomes of the investigation will support our calls for urgent veterinary legislative reform.

We look forward to the opportunity to review and comment on the working papers in January. In the meantime, we are happy to provide any further information or clarification as required.

Yours sincerely



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