Consultancy and Research Services for the Fund Management Industry
Key edge:
- Understanding how existing policy, treaty commitments and politics influence and constrain policymaking at EU and UK levels.
- Client base of European and UK policy institutions, private sector firms and financial market actors.

Differentiator points

Not yet another macro research firm: Unique in our ability to understand the macro policy and regulatory shifts occurring for various industries – particularly financial services – across the UK and the EU.

Working for both the private and public sectors enables us to better understand and advise on policy issues.

Highly skilled workforce and collaborators.

Track record of producing high quality, high impact reports.
Leading Economic Research firm

Coverage of:

- Macro-economic, central bank and policy
- Sector specific regulatory trends and policy processes
- Business sector specific macro and micro economics
- European single market

Practice areas:

- Regulation
- Cost of capital analysis
- Competition economics
- Macro-economic and political analysis
### Who we are

**Senior members of staff and practice areas expertise – Consulting services**

#### Principals
- Dr Andrew Lilico: Regulation, Cost of capital, Competition policy, Macroeconomic & political analysis
- Ross Dawkins: Regulation

#### Managing Consultants
- Iona McCall: Regulation, Competition policy
- Dr Pau Salsas: Regulation, Competition policy
- Stephen Topping: Regulation, Cost of capital, Competition policy

#### Senior Consultants
- Chiraag Darbar: Regulation, Competition policy
- Deborah Drury: Regulation, Competition policy
- Matthew Sinclair: Regulation, Macroeconomic & political analysis
- Dr Stefano Ficco: Regulation, Cost of capital

#### Special Advisors
- David Saunders: Competition policy
- Dermot Glynn: Regulation, Competition policy, Macroeconomic & political analysis
- Geoffrey Wood: Regulation
- Jonathan Green: Regulation, Competition policy
- Maurizio Conti: Regulation
- Vasilis Sarafidis: Regulation
Experience of our senior members of staff

Dr Andrew Lilico
Principal at Europe Economics, Chairman of the IEA Monetary Policy Committee and frequent contributor in the UK and international media on economic and financial matters
Ross Dawkins
Principal at Europe Economics, previously worked as a corporate finance partner and has been a Fellow of the Chartered Institute for Securities and Investment
Iona McCall
Managing Consultant at Europe Economics, previously worked as an economist for the UK Government, first at the Ministry of Defence and later at Her Majesty’s Treasury
Dr Pau Salsas
Managing Consultant at Europe Economics, previously worked as an economist at another consultancy firm and spent a deal of time in academia prior to this
Stephen Topping
Managing Consultant at Europe Economics, previously worked as an economist at another consultancy firm
Our clientele includes…
Business sectors covered

We can apply our economic expertise in any sector. However, sectors in which we have built up a track record include:

- Financial Services / Fund management
- Communications
- Defence
- Energy
- Environment
- Gambling
- Food and Tobacco
- Healthcare and Pharmaceuticals
- Transport
- Intellectual property
Regulation

What it is

- Two streams:
  - Economic regulation: advising on how to promote effective competition when there are existing or potential market failures.
  - Policy Evaluation: providing economic evaluations of public policy, including technical impact assessments.

Types of studies

- **Market studies**: Determining whether or not a firm is likely to possess market power and so be a candidate for regulation. Subsequently, such studies typically establish when a market is sufficiently competitive for price controls to be removed.
- **Efficiency**: Conducting economic and econometric studies of the efficiency levels achieved by comparable firms to assist regulators decide whether costs are at efficient levels (in the context of setting price limits for regulated firms).
- **Forms of control**: Advising on the roles and responsibilities of regulatory authorities, whether profit or price should be controlled, the precise forms of price or revenue control, and how to provide incentives for efficient capital expenditure.
- **Impact assessment**: ex-ante or ex-post evaluation of the impact a new policy is expected to have or had.
Cost of capital analysis

What it is

• Advising companies and regulators on cost of capital relating to competition, merger, price capping.

Types of studies

• Relevance of cost of capital analysis to:
  • *Competition case*: assessing whether excessive profits have been made in a competition case;
  • *Investments*: considering the viability of an investment project;
  • *Mergers*: valuing a party to a merger;
  • *Regulation*: controlling the profitability of companies subject to price-cap regulation.
Competition economics

What it is

• Analysing the effects of different business practices and structures, as well as the legal form taken.
• Competition analyses now contribute to almost every aspect of industrial or economic policy.

Types of studies

• Market definition: A fundamental part of competition cases, to which economic studies are essential.
• Dominant firms: We advise on investigations into the conduct of firms with market power, and whether the conduct amounts to an abuse.
• Damages: Using economic models and analyses to show whether or not alleged damages claims are valid.
• Sector studies: These involve research using statistical analyses and other empirical techniques familiar to economists.
• Mergers and acquisitions: The analysis includes defining the relevant market(s); assessing the effects on the structure of the market, and potential competition in the market; and evaluating any benefits to consumers.
Macro-economic and political analysis

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<th>What it is</th>
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<td>• Studies analysing economic developments and political, monetary, fiscal and bailout policies and their effects on the economy and individual sectors / market participants.</td>
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<th>Typical examples</th>
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<td>• Brexit referendum.</td>
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<td>• Eurozone crisis.</td>
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<td>• Central bank policy moves – e.g. Bank of England.</td>
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<td>• Political/governmental change impact analysis – e.g. Juncker becoming European Commission President; Syriza coming to power in Greece; changes to voting members of ECB Board.</td>
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Case study 1: Project for European Parliament on the regulation of Constant Net Asset Valuation funds

**Context**
As part of EU financial regulation reforms, the European Commission introduced reforms to Constant Net Asset Valuation (CNAV) Money Market Mutual Funds. The European Parliament was considering some amendments to the reforms and wanted to assess the impact of those amendments.

**Objective**
We were commissioned to analyse the impact on the sector of the European Parliament’s amendments.

**Analysis**
Conclusions based mainly on economic modelling and analysis.
Project included interview programme with major funds, investors and issuers, gaining an understanding of the nature of their operations, their issues and their perspective on the regulations.

**Conclusion / findings**
The study concluded that the four substantive amendments in question would retain the effect of transforming the considerable majority of the Constant Net Asset Value (CNAV) MMF market in Europe. There would be some, but only limited, take-up of the proposed Retail CNAV or EU Public Debt CNAV Money Market Funds. Most of the funds currently invested in Constant Net Asset Value MMFs would move to either Variable Net Asset Value (VNAV) MMFs or short-term bank deposits. To some extent, the features of Constant Net Asset Value MMFs which are attractive to investors would be duplicated in Variable Net Asset Value MMFs, but, equally, the same concerns over systemic risk might also be replicated.

### Case study 2: Project for Heathrow on the cost of capital of Heathrow for its regulated activities

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<th>Context</th>
<th>Objective</th>
<th>Analysis</th>
<th>Conclusion / findings</th>
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<td>Project followed on from work we did for the CAA in the previous price control period, including assessing the impact of the BAA takeover by a private consortium through a leveraged buy-out.</td>
<td>Estimate the cost of capital. Work included assessing the equity risk premium, risk-free rate, beta, debt premium and gearing</td>
<td>We conducted extensive analysis of the relationship between the sustainable growth rate of GDP and the risk-free rate, and also of how skewed Heathrow’s returns were as a consequence of regulatory decisions and the implications of that skewness of returns for the cost of capital.</td>
<td>The study concluded that by 2017, the Heathrow WACC will be higher than that at the time of the study, with a point estimate of 7.1 per cent.</td>
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Study: [http://www.caa.co.uk/docs/78/HeathrowCostOfCapitalStudy.pdf](http://www.caa.co.uk/docs/78/HeathrowCostOfCapitalStudy.pdf)

This study is only one small component of an extensive work-stream of consultancy projects on the cost of capital for regulated infrastructure, conducted for private and public sector clients around the world.
Appendix – profiles of our people
Dr Andrew Lilico

Dr Andrew Lilico is Executive Director and Principal of Europe Economics. He is a Fellow of the Institute of Economic Affairs and Chairman of the IEA/Sunday Times Monetary Policy Committee. As Chief Economist of Policy Exchange from 2009-10 he produced what the BBC has described as the "essential theory" behind the Coalition's initial deficit reduction strategy.

At Europe Economics he has worked extensively on major finance and regulatory questions, for clients such as the European Commission, UK government departments and regulators, industry associations and large firms. He is a frequent contributor in the UK and international media on economic and financial matters, appearing on programmes such as Newsnight, the Today Programme, Sky News, CNBC and Bloomberg.

Andrew received his first degree from St. John's College, Oxford, and his PhD from University College, London, where he also lectured in macroeconomics and in monetary theory.

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Ross Dawkins

Ross Dawkins is a Principal at Europe Economics, where he has specialised in the regulation of financial services and healthcare. Ross has led a number of pan-EU studies focused upon various aspects of the financial services sector. These have ranged from assessing the potential impact of changing the distribution of investment products to market analysis of the retail non-life insurance sector in Europe and the USA. He is particularly experienced in the economics of capital markets, insurance and retail distribution.

Before joining Europe Economics in 2007, Ross worked as a corporate finance partner at BDO Stoy Hayward, leading the private equity advisory team. He is a member of both the Society of Business Economists and of the Institute of Chartered Accountants of England & Wales, as well as being a Fellow of the Chartered Institute for Securities and Investment. Ross studied for his MSc in Economics at Birkbeck College, London, under the Hugh Davies Memorial Award, achieving a distinction. His first degree is in History from Cambridge University.

Contact: ross.dawkins@europe-economics.com
Our Managing Consultants…

Stephen Topping

Stephen Topping is a Managing Consultant, and has over 10 years of experience advising clients across a range of sectors on economic regulation, public policy and competition. He has particular expertise in utility regulation, and has advised on utility regulation issues in water, gas, electricity and airports. His utility regulation expertise includes advising on regulatory tools and incentives, cost of capital and financeability, and the introduction of competition. Stephen is also an expert on impact assessment, with experience in carrying out and reviewing impact assessments for clients, as well as authoring a handbook and providing clients with training on the subject. More widely, Stephen has expertise in environmental economics, pharmaceuticals, spectrum management, and consumer policy. Stephen has worked on secondment within the Office of Fair Trading, Ofwat and Ofcom.

Contact: stephen.topping@europe-economics.com

Dr Pau Salsas

Dr Pau Salsas is a Managing Consultant at Europe Economics, joining in 2010. Pau is a quantitative economist with a wide experience in regulation and applied economics. His main areas of expertise include the use of econometric and statistical analysis for the evaluation and support of decision making.

Recently, Pau worked as a senior consultant at another leading economics consultancy, where he provided advice to different EC directorates (DG TAXUD, DG EAC, DG AGRI and DG InfSo), UK public institutions (HMRC, HMT, Defra, Welsh Assembly Government) and the private sector. Pau graduated from the University Autònoma of Barcelona and obtained his PhD with honours at the University of Barcelona. As part of his post-graduate training he was a visiting scholar at the Wharton School and the University of Virginia, in the United States. As a post-doc, he conducted applied research while joining the University of Barcelona as a Lecturer of Economics. His academic record includes publications in specialised journals of econometrics, statistics and insurance economics, as well as presentations at international congresses.

Contact: pau.salsas@europe-economics.com
Our Managing Consultants…

Iona McCall

Iona is a Managing Consultant at Europe Economics, joining in 2007. She has experience in the application of competition policy, economic regulation, and public policy across a broad range of sectors, including financial services, healthcare markets and defence.

Prior to joining Europe Economics Iona worked as an economist for the UK Government, first at the Ministry of Defence and later at Her Majesty’s Treasury. She holds an MSc in Economics from the London School of Economics and a BSc (First Class) in Economics and French from the University of Birmingham.

Contact: iona.mccall@europe-economics.com
Our Senior Consultants…

Dr Stefano Ficco

Dr Stefano Ficco is a Senior Consultant at Europe Economics, joining in 2008 with a background in academia. Stefano is experienced in the use of economics and econometrics to solve complex business cases and public policy issues. At Europe Economics Stefano has used this expertise to advise private and public clients in a number of policy areas, in particular in the context of tobacco product regulation, and intellectual property.

Stefano obtained a PhD in Economics from the Erasmus University of Rotterdam where, prior to joining Europe Economics, he held a lecturer position.

Contact: stefano.ficco@europe-economics.com

Deborah Drury

Deborah Drury is a Senior Consultant at Europe Economics. Since joining in 2008, Deborah has been heavily involved in projects concerning regulatory economics, data gathering, and analysis and econometric modelling.

One of Deborah’s areas of expertise is regulation within the health sector. Deborah has also undertaken a number of projects in financial regulation. Deborah’s project work has included the use of econometric analysis as well as extensive gathering of data and information.

Deborah holds an MSc in Economics from the University of Warwick and a first-class honours undergraduate degree from the University of KwaZulu-Natal in South Africa.

Contact: deborah.drury@europe-economics.com
Chiraag joined Europe Economics in October 2007 after completing an MSc in Economics at LSE, having previously done his undergraduate degree there. Chiraag is an experienced regulatory economist, having worked on projects for a range of clients in the water, electricity, airports and telecoms sectors — in the UK and abroad. He is experienced in working on price controls, including analysing risks and incentives for price controlled companies, financial modelling to calculate allowed revenues and to model regulated tariffs, and the use of benchmarking. He has also been involved in training courses that Europe Economics provides on utility regulation. Chiraag re-joined Europe Economics in September 2013.

He is also highly experienced in undertaking cost-benefit analysis in a variety of sectors, including substantial experience in carrying out impact assessment in relation to climate change mitigation policy, which has involved the monetisation of carbon savings.

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