

Foreword to the Annual Competition Report 2015
by Margrethe Vestager, Commissioner for Competition

Last year was my first full year as Commissioner for Competition since President Juncker's Commission took office on 1 November 2014. And it was in many ways a remarkable year. The Commission cleared 318 mergers, 20 with commitments, adopted seven antitrust and cartel decisions, and approved more than 200 State aid measures. Our actions covered all key sectors of the EU economy.

But most of all, I believe our competition policy efforts made a difference to people's lives. Competition rules make sure that the economy and the markets work in the interest of citizens. They guarantee that dominant companies stick to the rules and don't abuse their power. They keep a level playing field in which all companies, however big or small, have a chance of success.

This is why the Commission is working so hard on tackling harmful tax competition, for example. In the last six months we started to deliver results. In January this year the Commission concluded that the Belgian Excess Profit scheme is illegal under EU state aid rules. The scheme allowed certain multinational groups to pay tax only on a part of their profits, whilst stand-alone companies (i.e. companies that are not part of groups) only active in Belgium could not claim similar benefits. This not only represented a very serious distortion of competition within the EU's Single Market, affecting at least 35 multinationals in a wide variety of economic sectors, but also a direct harm to those who contributed their fair share of taxes. The companies concerned must now return unpaid taxes to Belgium.

This was preceded last year by two State aid decisions by the Commission, which found that Luxembourg and the Netherlands granted illegal selective tax advantages to Fiat and Starbucks respectively. The Commission's goal is to provide clarity and make sure that tax rulings do not distort competition by giving some businesses a selective advantage.

The Commission's efforts to tackle distortions of competition arising from Member States' tax treatment of companies have been complemented by an ambitious regulatory package that the Commission presented in January 2016, to combat corporate tax avoidance within the EU and throughout the world. The proposals rest on the simple principle that all companies, big and small, must pay tax where they make their profits. It also sets out a coordinated EU-wide approach to implement good tax governance standards internationally.

The Commission is also committed to enabling EU consumers to seize all the opportunities that a true Digital Single Market can offer. A crucial element of our work in this respect is our e-commerce sector inquiry, whose initial findings were published in March 2016.

The first results show that geo-blocking is widespread in the EU and is holding consumers back from getting the most out of e-commerce. This is partly due to unilateral decisions by companies not to sell abroad, but also to contractual barriers set up by companies that only allow retailers to sell in certain countries, thus preventing consumers from shopping online across EU borders. Contracts which stop retailers selling abroad are a concern for us - they divide up the single market into a series of national markets, and replace the barriers we've been dismantling over nearly sixty years with

new, contractual, obstacles. The Commission will continue its inquiry and will open case investigations if specific competition concerns are identified.

Ensuring undistorted competition in the Digital Single Market goes far beyond e-commerce. A competitive mobile internet sector is increasingly important for consumers and businesses in Europe: smartphones and tablets account for more than half of global internet traffic, and are expected to account for even more in the future.

In this area, in April 2016 the Commission sent a Statement of Objections to Google and its parent company, Alphabet, in relation to the Android operating system and applications. The Commission's preliminary view is that Google has implemented a strategy on mobile devices to preserve and strengthen its dominance in general internet search. First, the practices mean that Google Search is pre-installed and set as the default, or exclusive, search service on most Android devices sold in Europe. Second, the practices appear to close off ways for rival search engines to access the market, via competing mobile browsers and operating systems. These rules apply to all companies active in Europe.

As a result of Google's behaviour, rival search engines, mobile operating systems and web browsers may have been artificially excluded from certain business opportunities, instead of being able to compete on their merits. This would deny consumers a wider choice of mobile apps and services, and stand in the way of innovation in the wider mobile space. Google now has the opportunity to reply to the Commission's concerns.

A precondition for a dynamic Digital Single Market is a competitive mobile telecoms sector, which translates into fair prices, innovative mobile services and high network quality. In May 2016 the Commission took a significant decision in this respect by blocking under the EU Merger Regulation the proposed acquisition by Hutchison of O2, which would have created a new market leader in the UK mobile market. We had strong concerns that as a result of the takeover UK mobile customers would have had less choice finding a mobile package that suits their needs and paid higher prices. It would also have hampered innovation and the development of network infrastructure in the UK, which is a serious concern especially for fast moving markets. The remedies offered by Hutchison were not sufficient to prevent this.

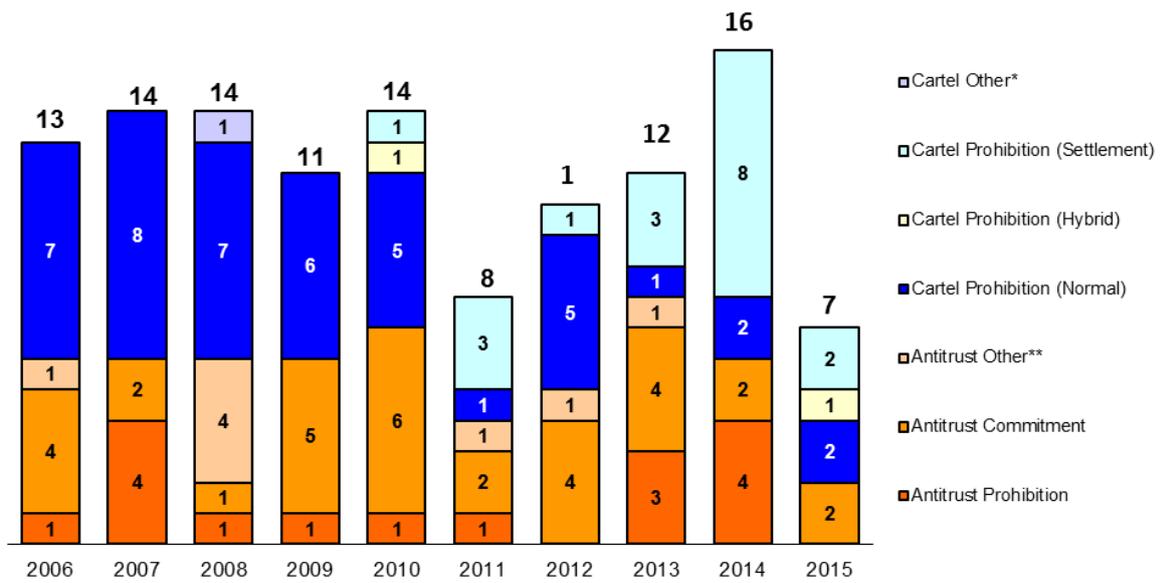
Allowing consumers to enjoy a wide range of innovative platforms, online products and mobile services is one of my top priorities. But I am also concerned about ensuring undistorted competition in more traditional markets. One example of our work in this area is the ongoing sector inquiry on electricity capacity mechanisms.

European consumers and companies should not have to face black-outs, and capacity mechanisms can help to reduce this risk. At the same time, unnecessary and badly designed capacity mechanisms can distort competition, hinder electricity flows across borders and lead to consumers paying too much for electricity. In April 2015, the Commission published an interim report showing that there is a lot of room for Member States to improve how they assess whether capacity mechanisms are needed, and how they design them. Well-designed capacity mechanisms need to be open and take into account that electricity that can be provided across EU borders, thereby also contributing to building an Energy Union in Europe.

Those are just a few examples of how our work is shaping better functioning markets, to the benefit of people across Europe in their daily lives and the EU as a whole.

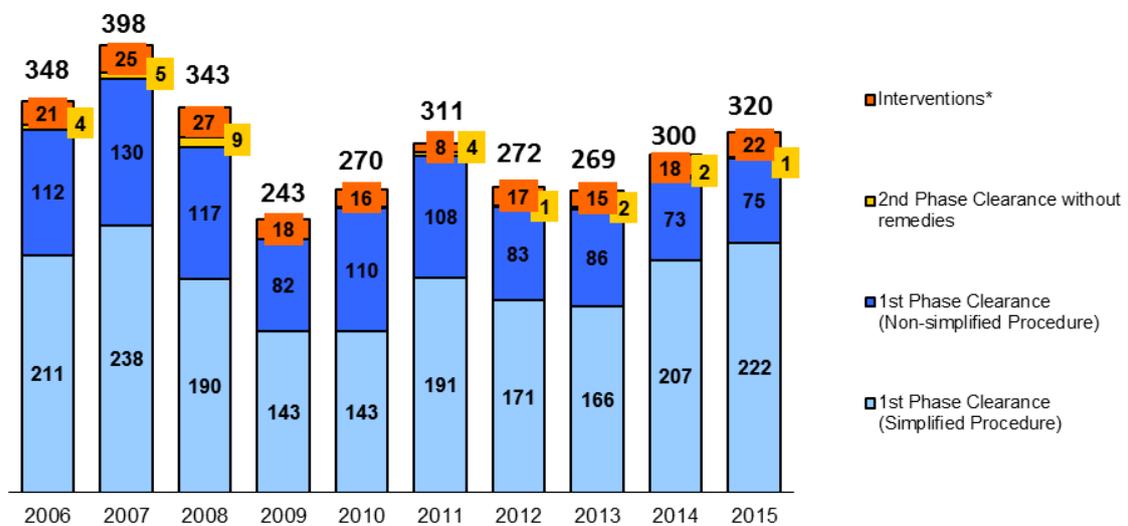
I look forward to continuing the good cooperation with the European Parliament and the national competition authorities. The work in the European Competition Network brings very real benefits and in the coming year we will continue working together to empower national competition authorities to be even more effective enforcers of the EU competition rules.

Antitrust and cartel output (2006-2015)



* Rejection of complaint ** Rejection of complaint, procedural infringement, penalty payment
 Source: Directorate-General for Competition

Merger output (2006-2015)



* Interventions in merger cases include prohibition decisions and mergers cleared subject to remedies, as well as withdrawals in Phase II; Prohibition decisions: one in 2007, 2011 and 2012 and two in 2013.

Source: Directorate-General for Competition

State aid output (2006-2015)

