EUROPEAN COMMISSION

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Competition policy for consumers' and citizens' welfare

Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort

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Competition

Ladies and Gentlemen:

It is an honour for me to speak at this main competition-policy event of the Irish Presidency and it is a privilege to be among such distinguished speakers today.

Today's conference explores the interface between the enforcement of EU competition law and other forms of consumer protection, such as the policies just described by Commissioner Borg.

That there are close relations between these two policy domains is clear, for instance collective redress, but the picture is a bit more comprehensive.

So I will start with a quick review of our action in those markets where consumers can enjoy first-hand the benefits of competition control.

And economists would equate these benefits with the concept of consumer surplus. But welfare has a broader meaning. General welfare comprises non only consumer but also producer surplus.

Going further, welfare also relates to concepts such as solidarity and social protection; key elements of the welfare state.

Therefore, I will also explore two broader meanings of the term 'welfare'; those related to general welfare and to the welfare state, respectively.

Ladies and Gentlemen:

Let me first stress that competition control is not only about prices.

Of course, when we investigate a suspected cartel or abuse of dominant position, we look at the monetary impact of the infringement with extreme care. This means that we look at the higher prices that the companies involved impose on consumers and business partners.

But this is only part of the story.

Apart from keeping down prices, healthy competition in a given market generally improves quality; stimulates the search for innovative goods and services; and broadens choice.

These fruits of the work of a competition agency often go undetected by the general public, and we should explain them better to the media, to consumers' associations and – more generally – to European citizens.

This would apply especially when we announce investigations, or close cases, in markets that any citizen can experience first-hand.

The latest example is a breakthrough in an important case you may have read about in the press. I'm talking about Visa Europe's proposals last week to make cross-border competition for payment card services easier and cut its inter-bank fees for credit cards.

The system operated by Visa – called multilateral interchange fees, or MIFs – is quite complex and I will not bore you with it today. What really counts is that in the future it will be cheaper for firms, retailers and consumers to use their credit cards, when – and if – the proposed changes get accepted.

These changes will have huge repercussions. Just think that Europesan consumers and businesses are making more than 40 percent of their non-cash payments through payment cards.

The commitments offered by Visa will be felt especially in purchases made across borders and over the internet. This last point is important, because there is still a long way to go before we can extend to e-commerce the full benefits of the Single Market.

So, this is also an example of how the broader priorities of the European Union are linked to competition policy. The promotion of e-commerce figures prominently in the Digital Agenda, itself part of Europe 2020 – the overarching strategy of the EU for the present decade.

The cases in the markets for card payments are just few of the many examples I could give you of investigations and decisions that directly affect end-consumers across our instruments. Let me give you a few more:

- There has been the 2010 cartel case involving bathroom equipment manufacturers, in which we imposed fines for €622 million on 17 companies.
- In the merger field, there's last year's acquisition of EMI's recorded music business by Universal.

  As digital innovation is revolutionising the way people listen to music, we cleared this deal only after Universal made very significant commitments to sell parts of its business to competitors.

  Thanks to them, choice and cultural diversity will be preserved and music lovers in Europe will continue to enjoy innovative music services at an attractive price.
- And, of course, there are past and current cases involving IT companies such as Microsoft and Google that affect millions of users.

Another recent activity that can potentially affect millions of Europeans concerns a round of inspections we have recently conducted in two EU countries, which has attracted quite a lot of attention from the media.

I am referring to our surprise visits at the premises of several companies active in the crude oil, refined oil products, and biofuels sectors.

Our goal here is to make sure that these companies have not colluded to manipulate the prices for oil and biofuel products or prevented other companies from participating in the price-assessment process.

One final example of our activity that directly affects large numbers of consumers is the work that Europe's competition agencies carry out in the food and consumer-goods sectors.

Given the national scope of these markets, many enforcement actions are carried out by the national authorities in the Member States.

And, because we are in Ireland here in Dublin Castle, let me stress the action of the Irish Competition Authority.

The authority has carefully monitored the grocery sector and delivered three reports which helped identify the barriers to competition.

It has also intervened in the meat sector so that – in 2011 – the beef-processing industry gave up its plans to organise collectively production capacity.

This also goes to show that – as I said earlier – the bulk of the work in these sectors has been carried out by the national authorities, but the Commission has done its part too.

In the past, we have uncovered and fined cartels among beer producers and banana wholesalers.

At present, we are looking into the shrimp sector and we are ready to act on other products if needed.

Keeping the best competitive conditions in these sectors – aiming at low prices, broad choice, and open markets – is the best example I can give you of how the action of Europe's competition authorities can reach out and make a real difference for virtually everyone living in Europe.

Ladies and Gentlemen:

I said earlier that I would also explore two broader meanings of the term 'welfare', so let me now move from consumer welfare to welfare in general.

There is almost universal consensus on the fact that preserving good competitive conditions in the internal market contributes to the overall efficiency of our economy and hence to the general welfare of Europeans.

Preserving the integrity and the smooth functioning of the Single Market means preserving its power to boost growth in the EU – and I don't need to repeat how urgent this has become for Europe.

The internal market has the power to give us a decisive edge over our commercial partners around the world and is the single, most important tool we have to stimulate growth in Europe. Here, competition enforcement and regulation can reinforce each other.

1. I've just mentioned our work involving **credit-card companies**.

Over the past ten years, the EU has tried to create a Single Market for payments using a mix of regulation, self-regulation, and competition enforcement.

The core project is the Single Euro Payments Area – or SEPA – which is run by the banking sector through the European Payments Council.

Unfortunately, the take-up of the new SEPA instruments has been quite slow. At the end of last year, SEPA credit transfers – that is, payments initiated by the payer – accounted for just below 35 percent of the total credit transfer volume in the euro area and SEPA direct debits – these are the transfers initiated by the recipient, such as for our utility bills – accounted for less than 2 percent.

After over a decade, we can safely say that self-regulation has reached its limits. The project needed a new push beyond the remit of competition control.

This is why the deadline for migrating to SEPA credit transfers and direct debits has been set by EU law. Now, in the euro area, the migration must be completed by February 2014.

But this is not the only domain in which competition enforcement and legislation join forces to leverage the power of the Single Market and make Europeans better off.

2. Let's take **energy markets**.

The energy sector has seen a wave of liberalisations and we must remain vigilant that they produce the intended results, completing the internal energy market

In particular, competition policy has to make sure that – in actual practice – the markets are not fragmented through the back door, as it were.

To accompany this process, DG Competition conducted a sector inquiry of energy markets as far back as 2005.

Since the results were published, we have brought a dozen antitrust cases in the sector, mainly involving former monopolists and addressing foreclosure problems.

The latest of these decisions is a case in point.

Last April the Commission accepted the commitments offered by the Czech electricity incumbent ČEZ, which was reserving capacity in the transmission network in order to prevent competitors from entering the market.

The decision will allow new players to enter the Czech electricity market and will make it easier for them to compete with the incumbent.

3. **Keeping markets structurally conducive to competition** will also be one of the consequences of the decision we took yesterday involving three of the airlines associated under the Star Alliance banner.

If you look at it together with the similar OneWorld case of 2010, the decision shows our determination to make sure that consumers reap the benefits offered by airlines through these forms of cooperation without suffering any harm from them.

There is one final implication of competition control I would like to discuss before I move on to the next topic. As I said earlier, a vibrant competition environment stimulates innovation.

Perhaps the domain where this effect is clearest is our action on the so-called patent wars among smartphone producers.

We have opened several cases on the potential misuse of the standard-essential patents that are needed to build a modern smartphone and these cases involve all the leading players in the industry.

The latest one is from earlier this month, when we sent a Statement of Objections to Motorola Mobility.

We are working hard on these cases with the objective to bring more clarity to a difficult area. Indeed, consumers the world over would be better off if the companies engaged in these patent wars spent more time and resources developing further innovative products and services.

Ladies and Gentlemen:

The third and final meaning of the term 'welfare' I will discuss today is perhaps the most far-fetched and therefore somewhat intuitive. It has to do with the question how EU governments can reconcile the twin needs to consolidate their budgets and, at the same time, stimulate growth and preserve the welfare state.

This question is one of the backgrounds of the overhaul of our State aid policy we are conducting at the European Commission.

The first tangible result of the reform process – known as the State aid modernisation strategy – appeared in December last year when the Commission adopted new Guidelines to facilitate subsidies for broadband investment.

The process will take us into the middle of next year and will involve a number of other guidelines, including those on Regional Aid – the next in line – Aviation, the Guidelines on Research, Development and Innovation, and the Environmental and Energy Guidelines.

This is not the place to go into the details of the reform; let me just give you the overall principles of our modernisation strategy.

In these difficult times, governments must find the most efficient ways to spend taxpayers’ money. Public policies and expenditure are crucial to re-start the engines of growth in Europe.

Against this background, the main goal of our reform is to help national governments improve the quality of public finances. EU-wide, we are talking about some €100 billion of State aid.

The new State aid framework that will emerge from the reform will promote well-designed subsidies that address clear market failures. It will also help Member States achieve the objectives laid out in the EU strategy for growth and jobs.

To give you a few examples of the kind of public support I have in mind, this is the aid that promotes innovation, sustains green technologies, and develops human capital.

The reform will also promote subsidies that complement private spending, rather than those that simply replace it. Aid that pays for projects that beneficiaries would have financed anyway are a waste of money European taxpayers can no longer tolerate – or afford, for that matter.

Finally, improving the quality of public finances will release much needed resources for the preservation of the welfare state, which this long crisis has been eroding in many parts of Europe.

Ladies and Gentlemen:

I have tried to illustrate how our prime focus on consumers not only improves their welfare, but may have broader implications that reach through the welfare state.

One feature keeps these areas together.

From whichever angle one looks at it, supporting the action of competition authorities amounts to a structural reform that brings significant economic and social benefits and that can be implemented at little or no cost. It's for free, and for all.

This is the take-home message that I would like to leave behind me today. The calls that we keep hearing for laxer rules and softer competition control to weather the recession are fundamentally misguided.

In fact, the opposite is true. A fair and robust enforcement of competition law will help Europe turn the page of this long crisis and take the path towards a sustainable and sustained recovery.

Thank you.