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Competition policy in 2010 and the SGEI reform

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

European Parliament, ECON Committee

Brussels, 12 July 2011

Madame Chair,
Honourable Members,
Ladies and Gentlemen,

It is always a pleasure to participate in this exchange of views with the ECON Committee and I thank Sharon Bowles for her kind invitation. My main topic today will be our Report on Competition Policy for 2010. I will also say a few words on the follow-up to your Resolution on our 2009 report. And, as we are preparing new State Aid rules for the services of general economic interest – to be adopted at the end of the year – I will give you a short update on the reform process.

This year we are issuing the 40th edition of our report. Over the years, competition policy has grown into a vital factor for the success of the European project. Everyone recognises the importance of an EU-wide, authoritative and independent agency devoted only to the general interest. Our control can make some people unhappy on occasions – that is unavoidable – but everyone benefits from it in the long run. I wish to thank the Parliament for the constant dialogue with the Commission in this domain and for its support to our competition-policy objectives.

Our work in 2010 was intense.

In policy making, we introduced new rules to increase competition in the car repair and servicing markets; we adopted new regulations for vertical and horizontal agreements; and we started the gradual exit from the crisis State Aid regime as regards both the rescue and restructuring of banks, and the Temporary Framework for the non-financial sectors.

Our enforcement activity has also kept us busy. We took many State aid decisions, and not only on banks; more than 400 decisions were taken under the ordinary regime. We also took 14 cartels and antitrust decisions, which equals the record set in 2007 and 2008. Activity also picked up slightly in mergers after the sharp drops reflecting the impact of the crisis in 2008 and 2009. Last year, we received 270 notifications, and this year we will probably have more.

In the seven cartel decisions we took last year, we imposed €3 billion in fines on 70 companies, and we reduced the fines for nine companies to take into account the situation of firms in financial distress.

In antitrust, I will highlight our work in the transport and energy sectors and in financial services. In the transport sector, our Oneworld decision, for instance, will make sure that alliances among airlines do not deprive consumers of competitive prices and a choice of routes. We estimate that the decision will bring benefits to 2.5 million passengers.

In energy – following the sector inquiry of 2007 – we took four decisions involving incumbents in France, Sweden, Germany and Italy, which included substantial commitments to improve competition in their markets.

Finally, in the financial services, let me recall the commitments Visa took on its Multilateral Interchange Fees, which is a step towards more efficient payment systems in the internal market.

I know you are discussing a related but broader topic this week, with your vote on SEPA. We are also continuing our work in the sector. We are currently looking into the practices of very large financial institutions as part of our first investigations into the derivatives markets. These investigations send the message that market abuse will not be tolerated and that competition policy can and will be used as a complement to regulation.

All these decisions will do more than improve competition in Europe – which is a crucial goal in its own right. Integrating the internal market has strategic implications as well, both within the EU and vis à vis our international partners. We cannot speak of a real Single Market if energy and data cannot circulate seamlessly across the EU. And if we are not willing to bring down the barriers that still hamper the free circulation of goods and services within the Single Market, we will not be in a position to uphold our economic interests and values on the international scene.

Let me now turn to a follow-up on your Resolution on our 2009 Report on Competition Policy. First of all, I wish to commend again the excellent work Mr Eppink and his collaborators have put into it. You will have received my letter which answers all the issues the Resolution raised. I would just like to add a few brief comments on SMEs, private enforcement in antitrust, and on the studies you requested us to conduct.

SMEs are a major source of growth, employment and innovation in the EU and they are never far away from my policy and enforcement decisions. Of course, we will make sure that SMEs comply with competition law just like larger companies, but we are also striving to minimise the administrative burden that our rules may impose on them.

I can give you a few examples of our efforts: in State aid, we have the General Block Exemption Regulation; in antitrust, the de Minimis Notice exempts from our control the agreements between SMEs with limited market shares; and finally, new rules are being introduced to facilitate access to finance for SMEs, such as in the Risk Capital Guidelines.

In addition, requests for a reduction of our fines on grounds of inability to pay increased during the crisis, as I said before, and as many as five of the nine companies that obtained a reduction in 2010 were SMEs. I am currently examining how the mono-product ratio of companies – usually SME's – can be taken into account when setting fines, so that they will not be treated in a discriminatory way.

Your Resolution also stressed the need for legislation to facilitate the effective compensation for private damages resulting from breaches of antitrust law. I agree. Europe's consumers and business – once again, especially SMEs – should obtain the compensation they are entitled to.

When we talk about compensation for private damages, we also think of collective redress, on which we launched a public consultation earlier this year. We received over 300 replies, including from five EU competition authorities. And we have also received over 18,000 letters on the same topic from citizens. These are fairly large numbers, and show that organisations and ordinary people are ready for a genuine EU-wide political debate when the right issues are at stake.

Now that the consultation stage is over, the Commission plans to adopt a Communication on the general principles of collective redress by the end of this year. Once these principles are defined, we will discuss how to continue our action and – in my domain – how to continue our action in the competition policy.

Finally, the studies. The main piece of research requested by the Resolution was an analysis of the impact of the temporary State aid rules we have introduced to help the financial sector weather the crisis. The study will be completed in a few weeks and its results will be sent to you and published in full after the summer.

I have also seen the study that the Parliament commissioned on the same topic and I am happy to note that this report – although less extensive – reached similar conclusions. For instance, both studies find that the aid granted to the financial sector has been justified and has helped stabilise the financial markets and maintain credit flows to the real economy. They also observe that the aid granted has not affected the competitive structure of the EU banking sector as a whole.

However, the report you commissioned seems to overlook one important aspect of our action during the crisis; namely, the restructuring conditions we have imposed on all the major beneficiaries of State aid. Our study will provide detailed information on such restructuring, which was based on the careful reviews of each case that we have carried out before taking our decisions. The restructuring processes we have imposed on European banks minimised the distortions of competition that the aid could have determined and ensured burden sharing among stakeholders.

Finally, the scope of our report is extremely broad and it has taken substantial resources to put it together. Because of its breadth, we have been able to cover other issues as well, such as the contribution of State aid to a greener recovery.

Honourable members:

Before I close, I would like to mention one final topic you will be debating this week: the reform of our State aid rules on the services of general economic interest.

After our latest exchange of views in March, I have been meeting the business community, Europe's regional and local authorities, the companies – public and private – that carry out activities of general economic interest, and representatives of the civil society. This dialogue has provided useful elements for the drafting of our new rules.

We are preparing three instruments to cover the main goals of the reform: a Communication that will clarify the key concepts that we use to carry out our control and that our stakeholders find it difficult to interpret in their present form; second, a Decision will be used to implement a simpler and more flexible approach for local services and certain social services; and finally a Framework will take care of large compensation amounts granted to operators outside of social services.

Let me anticipate the main innovations of this new package.

First, we will introduce a *de minimis* rule specific to SGEI which would still exclude any Commission's scrutiny for small amounts of compensation. To ensure the truly local nature of the services provided, this rule could also be made dependent on other criteria, such as the very limited size of the local authority concerned or the limited size of the service provider.

Second, we will extend the range of social services that are exempted from the notification obligation, which at present include only hospitals and social housing.

Finally, I will propose that our scrutiny ensures that the services are provided as efficiently as possible. Under the current package, compensation granted for the provision of the services can cover all the costs incurred by the provider plus a reasonable profit margin. This means that some of the costs compensated by Member States may be due to low efficiency levels in the provision of such service, and this may distort the functioning of markets and harm the quality of service.

As to the process, the reform is in the final stretch: the texts will be finalised during the summer and published for public consultation by mid-September. They will then be discussed with the Member States in October and – if everything goes to plan – the new rules will be adopted by the end of January 2012. I will be happy to discuss this issue again with you in the autumn, before our final adoption of the package.

Thank you.