



EUROPEAN COMMISSION

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Relying on the Single Market for the future of Europe

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

European Competition Forum
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Ladies and Gentlemen,

Welcome to the second European Competition Forum organised by the European Commission's Directorate-General for Competition.

Let me start by saying how grateful I am to the speakers and moderators who accepted our invitation to share their knowledge and views with us and animate the debate.

And, of course, I am especially grateful to Prime Minister Monti. It is an honour for us all to have you here today.

I also want to send a big 'thank you' to all the people from DG Competition and my Cabinet who made today's conference possible thanks to their enthusiasm, hard work and commitment.

After the success of the first European Competition Forum, my colleagues and I have tried to make today's Forum even more rewarding and stimulating than last year's.

Our goal is to turn our Forum into a landmark event in the calendar of enforcers, experts, and practitioners.

We also want to keep it open to a broader community of knowledge and practice, including business leaders, academics and policy-makers.

All of you, and many other people who will take an interest in our discussions, are invited to help us reflect on what we do and the impact of our actions, so as to improve our policies and enforcement.

After Prime Minister Monti's keynote speech, three broad issues will be debated by our distinguished speakers today.

The first theme is what competition policy can do, together with other policies, to pursue our goals of completing the Single Market and nurturing innovation.

The second issue is about the role that competition policy is playing in the financial sector today, and the role it will have in the financial industry that is emerging from this crisis.

Finally, we will discuss the place and function of the state in the economy, including the promotion of open and fair relations in world trade.

One basic idea runs through these topics. We must deepen and refine our understanding of the power of an open economy and efficient markets as a means to bring prosperity and social welfare to our people and as one of the foundations of our democracies.

Ladies and Gentlemen:

The Treaty gives the European Commission the responsibility to enforce EU competition law across the territory of the Union. This is our duty and we honour it to the best of our abilities.

At the same time, this is not a task that should be carried out assuming that it is a goal in itself. We must recognise at all times the economic and social conditions in which we fulfil our mission.

In fact, we have a unique vantage point from which we can observe the state of Europe's economy and society five years into this crisis.

And what we see in these troubled times has led us to focus our efforts in three main directions:

- We need to update some of our policies and tools;
- We must continue to improve our system's efficiency; and
- We must remain vigilant against the illegal business practices that weaken our competitiveness and productivity at the worst possible time.

Let me say a few words on these points. To clarify the first one, I will use the domain of State aid, and in particular our current strategy to modernise its rules.

The strategy – which I announced in this room a year ago and is now under way – is the clearest example of policy development designed to respond to the current challenges and conditions.

Its main objective is to better align State aid control to the Europe 2020 strategy for growth and jobs, and to the policies aimed to improve the degree of resilience of our economies.

And given that this period is marked by the need to consolidate public budgets, our reform should at the same time help Europe's governments to do more with less money.

The new State aid regime will also make the rules clearer and easier to comply with, because we want to facilitate the understanding of our Guidelines and reduce to the minimum the difficulties for their implementation.

To illustrate the second point – improving efficiency – I will move to antitrust.

Let me tell you here that transparency, accountability and the constant drive to fine-tune our system are the principles that guide our practice and underpin our policy initiatives.

Our system has evolved over the years to guarantee the highest standards of fairness and impartiality.

We have recently improved the process by adopting Best Practices in antitrust procedures. These give the parties more opportunities to interact with my services and a clearer picture of what to expect in our proceedings.

We have also strengthened the role of the Hearing Officers as guardians of the procedural rights of the parties. The companies involved in our investigations can now refer to them any disputes that may arise at any stage of antitrust proceedings.

Of course, our decisions can ultimately be appealed to the European courts, to which we are accountable.

I am happy to report that our success rate when the Court reviews our decisions is very good. This shows that our enforcement action lives up to high standards in terms of being legally sound, fair and balanced.

Fine-tuning our system also means clarifying its relationship with the private enforcement that takes place in the courtrooms, where victims of competition-law infringements can seek compensation for the harm they suffered.

After a long period of discussions and consultations, I intend to submit to the College in the coming months a legislative proposal that will provide a clear legal framework within which public and private enforcement can reinforce each other.

I would have preferred a quicker adoption of this initiative, but at the same time I recognise that our decision-making process – both in antitrust and State aid – benefits greatly from the constant dialogue that we hold with Member States, other institutions and stakeholders through public consultations over the internet and public meetings.

The third and last point is about the robust enforcement of competition law, which is all the more important now that Europe needs to breathe new life into the economy. To this end, it is crucial that we remain impartial vis-à-vis individual or specific interests.

As a competition authority, we are determined to continue serving the common interest. This means, the interest of all the companies that do business in the Single Market and the interest of everyone living in it – the citizens – who need more than ever the lower prices and wider choice produced by keen competition and open markets.

When, after careful analysis, we find that a business practice can harm competition in the Single Market, we are undeterred by the magnitude, the complexity or the implications of the decisions that is our responsibility to take.

I would like to give you some recent examples of our independence and impartiality drawn from our practice.

First, let me recall a couple of major decisions the Commission took last December: the €1.47 billion fine levied on seven international groups for operating a cartel in the market for cathode ray tubes, and the remedies imposed on Apple and four international publishers in the market for e-books.

Then, there are the on-going investigations in the pharmaceutical sector, where we want to make sure that producers of brand-name medicines have not paid competitors to keep generic products off the market.

Our current investigations also include our action involving Gazprom in the energy sector and our scrutiny of the banks and financial organisations suspected of collusion in the so-called Libor scandal.

Still in the financial industry, we continue our work to control State aid to banks.

The result of our action in this sector has been the stabilisation of the institutions in need of public support and the deep restructuring of aided banks.

We have dealt with the restructuring or orderly winding down of almost 60 individual institutions, and we still have quite some work ahead of us, mostly concentrated in the so-called programme countries.

In our decisions we ensure that the business models of aided banks are changed so that they become viable again and can meet the financing needs of the real economy.

We require that they do not engage again in the activities which caused their troubles in the first place.

We ask shareholders and hybrid-capital holders to contribute their part so as to minimise the bill for the taxpayer.

And we keep the financial markets open and contestable to the long-term benefit of companies and households.

In parallel with the new regulatory framework for financial markets that is being introduced and the banking union that is being built, the control of State aid by the European Commission will continue to ensure a level playing field in the internal market, not least because in the foreseeable future the restructuring and resolution of banks will involve the use of taxpayers' money – be it at national or European level.

More evidence of our guiding principles – independence and impartiality – can also be found in our control of mergers.

We do not hesitate to prohibit a deal when our analysis concludes that it would harm competition in the internal market and when no viable remedies are proposed. Our latest prohibition – involving RyanAir and Aer Lingus – is in the papers today.

This is the fourth rejection of a proposed merger since I took office three years ago.

Despite the fact that prohibitions remain the exception, I still hear from time to time that our merger control is too strict and prevents the creation of so-called 'European champions'.

I also hear that our market definitions are too narrow and fail to take account of global competition.

I think these criticisms are simply unfounded.

When we define a market as we assess a transaction, we always look at the alternative suppliers that European customers can turn to.

To do so, we gather information from all the companies active in the market – especially from the customers of the merging parties – and we conduct sophisticated economic analyses.

When our analysis shows that the market is global, we define it as such – as we did for major transactions such as Deutsche Boerse/NYSE Euronext and Western Digital /Hitachi.

And when markets are national – as in the mobile-telephony sector to which I will refer later – we define them as such.

As I just said, EU merger control does not stand in the way of creating large and successful European corporations.

Our record since this Commission took office in February 2010 speaks of 826 unconditional clearances and 36 remedies decisions, against four negative decisions.

This shows that we do not – and will not – hinder corporate efforts to scale up. I want larger companies operating in the world's biggest market – the Single Market – and beyond our borders.

At the same time, we ought to make sure that companies do not carry out their plans at the expense of European consumers, of their business partners, and of the competition conditions in the EU.

Ladies and Gentlemen:

A witty remark that circulated at the start of the crisis is proving true with the passage of time. It said, more or less, "You cannot afford a serious crisis to go to waste".

Five years later, we know how serious this crisis has been and how dangerous it can still be. But we also know that it is giving Europe a real opportunity to advance along the road of integration.

This uncertain period has focussed minds. It has imposed responses to match the level of our challenges – and quite a few have been taken at EU level involving all our common institutions.

At every step of this complex process, competition policy has been – and will continue to be – central to our common response.

The first order of business today is to re-launch growth. But how can we promote growth and improve competitiveness in the current circumstances?

Governments cannot dust off old strategies and policy instruments at a time when, on the one hand, our economies need more dynamism and resilience and, on the other, fiscal discipline is a must.

In addition, today's economies are much more open and interconnected. New players have come to the fore and the digital economy is more and more strategic. In today's business environment and global value chains, what is urgently needed is a pro-active approach, not a defensive one.

Let me explain this point in some detail.

Ensuring competition in the Single Market is a pre-condition. Competition is, in many ways, one of the most efficient structural reforms we can implement – and without any cost for public budgets – to increase the productivity and competitiveness of our economy.

First, competition policy is very helpful to promote innovation and improve our chances of success vis-à-vis our international partners.

This is what happens when we prevent foreclosure by a dominant firm or when we tear down the barriers to entry that make it impossible for new competitors to access a market.

We often have to deal with these issues in our practice, such as in our work on mobile telephony markets.

I have to say *markets* – using a plural noun – because there are 27 of them in the EU; each Member State has its own regulatory environment and each awards its own spectrum licenses.

To make matters worse, in many countries there are only few network operators and the barriers to entry are high. This is because the spectrum is limited and building a network expensive.

This is the reality of mobile telephony markets in Europe today. And this is the context in which some operators keep asking us to favour consolidation in the industry.

I fully share the call for a Single Market for telecommunications made this week in Barcelona by Neelie Kroes. The industry would do well to consolidate across national borders, if that meant lower prices and new and better services.

But let us not forget that around 80% of mobile-phone subscriptions are with four leading European groups. This market structure has not brought us closer to a Single Market for cell-phones; one where we can actually buy and use mobile services freely across the EU.

Instead, roaming fees remain high and prices vary a great deal. Research shows that users pay up to ten times more to use their smartphones in those Member States where there is no challenger to the big European operators.

Moreover, as long as markets remain fragmented along national borders, there is no evidence that operators will invest more if they scale up.

So, the risk here is that some incumbents could play an asymmetric game in which they can move in the Single Market without restrictions whereas their users and business customers cannot escape from their national borders.

Another benefit of competition policy is that it can improve competitiveness by lowering price-inputs. Take the companies we fined in March last year for running four cartels in the freight forwarding business.

These companies offer door-to-door services to businesses and consumers and their collusion imposed extra costs on their unsuspecting customers.

Another example is the proposed merger between UPS and TNT, which the Commission stopped last month because, according to our analysis, it would have resulted in higher prices for consumers and for the companies that use express deliveries to do business in the internal market.

In sum, I am telling you all these stories from our practice to show that competition control is one of the European policies that can re-launch growth and create jobs; and we should take full advantage of its specific features.

As I said, in the global economy, success goes to those who take the lead. Now, by its nature competition policy takes a pro-active approach, not a defensive one. It looks into the future to prevent competition problems from becoming entrenched.

Another feature of competition policy is that the whole economy benefits from its effects. Our work is not limited to any one sector or industry. It looks at the entire market, not at the success of individual industries or firms. As such, as I said, it acts like a structural reform.

In addition, competition policy instils a sense of fairness among market operators, which can translate into a sense of social justice among the people. I don't need to stress that this aspect is politically very important these days.

We are not working on behalf of any particular business; we work on behalf of the whole constituency of consumers, users and costumers.

Finally, competition policy can support other public policies designed to boost growth. For instance, the State aid modernisation strategy I referred to earlier supports the design of public policies that will promote competitiveness in Europe over the long term.

Let me come back, in a few words, to this important initiative.

Some of the rules we are reviewing cover the most promising sectors for our future growth. These include the new Broadband Guidelines – which have been adopted last December – and the guidelines on Risk Capital, on Research, Development and Innovation, and on Energy and Environmental Protection.

Our reform will help Member States reconcile the twin needs of consolidating their budgets and achieving the objectives laid out in the Europe 2020 strategy for growth and jobs. In other words, we will help them to spend less and to better target their expenditure.

The new State aid regime will make sure that subsidies do not replace but complement private investments. It will support good and well-designed aid that addresses genuine market failures without distorting competition in the internal market.

Another innovation regards the so-called market information tools. Our control of State aid would improve if we could obtain – when necessary – market information directly from the industry, as we do in antitrust, and conduct our own sectoral inquiries.

We will also address what I call the 'deep-pockets distortions' issue, which results from the uneven spending capacity of different Member States.

These disparities can risk to tilt the level playing field and State aid control is the answer our Founding Fathers foresaw 60 years ago to address the problem.

Finally, the new rules will try to introduce more transparency, because taxpayers have a right to know who is receiving aid, how much and why when it comes to spending their money.

Ladies and Gentlemen:

In closing, let me tell you that the effects of preserving good competitive conditions in the Single Market can be felt much beyond the economic sphere.

The Single Market has served us well for decades. On its foundation, we have built our Union.

Today I'm telling you that we can still rely on it to re-launch the European project.

The road is long but clearly traced. We must carry out the necessary reforms; correct the internal imbalances; and improve the quality of our public finances. We must deepen our political capacity to adopt decisions, and the democratic control of our decision-making process.

I have no doubt that we will do the right things and that we'll come out of this long downturn stronger and more united than before.

There is not a moment to lose. We need to reverse the mounting wave of popular distrust that threatens to weaken our democratic institutions at European and national level.

We owe it to our people, for whom Europe must continue to be a symbol of prosperity, peace, democracy and solidarity.

Thank you.