EUROPEAN COMMISSION

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Fighting for the Single Market

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Ladies and Gentlemen:

Welcome to the third European Competition Forum. First of all, I would like to extend my warmest welcome to the moderators and speakers of this meeting. I thank you all for being here today. I also want to give special thanks to Alexander Italianer and DG Competition for their work to prepare the Forum, and in particular to those who have been directly involved in its organization.

Now in its third year, our annual gathering is becoming a landmark event for the competition-policy community. Since the beginning, we wanted to open a space of debate about the ways competition policy can help Europe to overcome the crisis and sustain economic growth. We want to understand better the links and overlaps between competition policy and other public policies for growth, including industrial policy, the digital agenda, and improving the business environment for Europe's companies. To accomplish these tasks, we knew we had to extend the call to a broader community of expertise and reach a wider audience than our usual interlocutors in the antitrust conferences and debates.

By addressing a wide audience we are in a position to show to the citizens how competition can make a real difference in their lives by keeping the Single Market open and turning it into a driver of innovation and growth in Europe. Competition policy has been a fundamental element of the EU from its foundation, as competition is instrumental to build an integrated market and to make it work properly. It is important to bear this in mind at all times, but more so this year, when EU citizens are called to vote in the most decisive elections in our history.

We have chosen three important topics for our debates today to pursue these goals. The session that follows the keynote address by UK Secretary Vince Cable – whom I thank cordially for accepting our invitation – will be about taxation. I look forward to a discussion that will explore how the European Commission – using State aid control instruments – can promote a better allocation of resources by making tax systems less selective. Next, we will talk about the telecoms industry. Crucial as it is in today's economy, this is also one of the sectors – together with energy and finance – in which a genuine Single Market is most needed. Finally, after ten years of enforcement of Regulation 1/2003, we will review the developments in competition policy since the reform of antitrust rules and the setting up of the ECN. This look at the past is actually meant as a first, necessary step to plan for the future.

In these opening remarks I would like to focus on the domains in which competition policy can help to realise the potential of the Single Market for Europe's competitiveness. A genuine Single Market, underpinned by strong enforcement of EU competition law, is the main lever the Union has to sustain growth and the steady improvement of living standards. The interplay between a deeper and broader Single Market and strong antitrust enforcement is at the core of higher productivity and growth across Europe.

A high degree of competition creates incentives for existing firms to become more efficient, so that they can stay ahead of rivals. In parallel, competition also allows high-productivity companies to replace less efficient operators. Only by permanently promoting this quest for productivity will public policies foster growth across the Union, pushing firms to innovate and invest. Sustained growth in the long term entails a process where some companies exit the markets and others – more efficient, innovative and productive – enter, expand creating new activities, and open new markets.

In addition to that, and to accompany this process, labour-market and social policies – together with better educational systems – must facilitate the movement of workers within and across sectors and activities, providing them with adequate protection when unemployed and with the right tools to acquire the necessary skills and search for jobs. This constant renewal also requires well-functioning financial markets and an environment strongly supportive of innovation. We also need to provide the necessary public support to correct market failures that prevent the accumulation of human and knowledge capital. A growth strategy, including a modern industrial policy, must be based on these principles. In the 21st century, industrial policy and competition enforcement are the two sides of the same coin. And last but not least, an enhanced supervision, restructuring and resolution of our banks must support this pro-active orientation of our public policies.

Within this framework, competition policy creates the conditions for well-functioning markets by fighting against anticompetitive agreements and cartels; prohibiting abusive practices so that new entrants can challenge dominant incumbents; promoting mergers that lead to more competitive companies, while preventing those that can lead to anti-competitive dominant positions; and controlling State aid to prevent measures that distort competition and keep inefficient companies on the market while allowing support measures that actually promote policy objectives of common interest.

To illustrate how these instruments contribute to achieve a fully-fledged European Single Market, I will look at the state of competition and integration in telecoms and energy markets and at our action against selective tax measures.

The prospects for growth in the telecoms and digital sectors are very high and Europe's competitiveness would greatly benefit if dynamic and innovative players could operate in a truly EU-wide market. Today, there is no such thing as an integrated market for telecommunications in Europe where operators would offer pan-European services. Instead, Europe's telecoms markets remain fragmented. Spectrum allocations, regulations and enforcement are still very much national affairs. From a user's perspective, our devices switch to a new company every time we cross a border and we need a new contract when we take up residence in another Member State to avoid roaming fees.

This is the market analysis we must take into account when we assess a merger in the industry, even though the merging companies can be ultimately referred to large players with global operations. These days we are observing a wave of consolidation in the industry. But I would say that these deals tend to affect mainly national markets, not so much cross-border ones. While we often hear that we need larger players in Europe to be able to finance the investments needed to deploy the next-generation networks, creating larger players within national markets just reinforces market power at this level.

For instance, at present we are reviewing the proposed acquisitions of O2 Ireland by Hutchison and of KPN's E-Plus business in Germany by Telefónica. Both transactions would lead to the combination of mobile-network operators active in the same Member State. I cannot anticipate today the outcomes of our review of these cases, but our analyses are being carried out within a market definition consistent with the cross-border barriers that actually exist across the EU.

The Commission has been pushing for the establishment of the telecoms Single Market for a long time, most recently with the legislative package proposed in September last year. Indeed, the fragmentation of Europe's telecoms market is not only the responsibility of companies. Cross-border barriers in this market are of a regulatory nature. It is mainly the task of national governments, the Council and the European Parliament to remove them once and for all.

In the meantime, such barriers should not be an alibi for operators to seek monopolistic rents and impede innovation. Some of them are the gatekeepers of the digital world because they control the wires, fibres and radio waves that bring content to our homes and mobile devices. Here, the task of competition enforcers is to make sure that markets remain open and that nothing hampers new technologies and business models. At the same time, we need to be active with the so-called "over the top players", extremely powerful these days. Every time they try to abuse their market power creating serious imbalances to the detriment of those who invested in the network, we will trigger our antitrust instruments.

Another sector where vibrant competition would give a powerful boost to the competitiveness of Europe's economy is that of energy. Everywhere, energy policy has to confront difficult choices to attain several objectives – including the fight against climate change. In the EU, poor in energy resources and not fully interconnected, the trade-offs are more acute. For instance, we agree on the need of public support to renewable energy sources when they are in an infant state to be competitive. But this support, if badly designed, may lead to unjustified subsidies to mature technologies, increasing electricity bills already burdened with a myriad of taxes and levies.

Needless to say, since support measures are set up by national governments, energy prices vary largely across the EU and have an influence, not always optimal, on investment allocation decisions. High energy prices create incentives to enhance energy efficiency, which lowers our energy dependence. But at the same time, they increase the costs of energy inputs, especially for energy-intensive industries, which need to be compensated and exempted from certain taxes and levies. This, in turn, creates distortions within the internal market.

A real Single Market for energy would largely fix problems of this kind in a structural way. It would bring down costs across Europe; reduce our present concerns about intermittence and security of supply; and encourage much-needed investment in infrastructure. In a word, genuine integration would make Europe's energy markets safer, more stable, and more efficient.

What can competition policy do? Since the sector inquiry closed by DG Competition in 2007, a dozen antitrust decisions have been taken involving old incumbents in several countries including Italy, Belgium, France and Germany. In these cases, seeking commitments that would open up the markets has been our preferred policy. In recent years we've seen more cases coming from central and eastern Europe, such as with the Czech electricity incumbent and the Bulgarian incumbent BEH. We also look out for companies whose behaviour risks to fragment the internal market, and this is one of the issues we are investigating in the Gazprom case. We have also on-going cases concerning power exchanges: one involves the Romanian power exchange OPCOM; the other case is about two major European power exchanges suspected of having colluded to share geographic markets.

In addition – and crucially – we must use State aid policy to help EU countries come together in the way they support renewables, finance infrastructure and guarantee security of supply. At present, as part of the State aid modernisation strategy, we are working on new Guidelines on energy and the environment, which will be adopted in a few months. The Guidelines will encourage public support to energy efficiency policies. They are also designed to strengthen infrastructure financing. This means setting EU-wide conditions governments can use to improve connections among the grids and build cross-border networks. Finally, they will introduce rules for the support of renewable-energy sources in a way that better reflects the current economic reality in these markets.

The design of many existing support schemes for renewables across Europe – especially certain feed-in tariff schemes – have the effect of distorting the market, raising costs, and sheltering renewables from price signals, thus producing unintended negative consequences. To address these problems, the new Guidelines propose that support schemes for renewables should be flexible and respond better to falling production costs. In particular, mature technologies should be gradually exposed to market prices while government support should focus on the less deployed technologies.

Before I conclude, I would like to say a few words on taxation, from the perspective of State aid control. Governments and international bodies around the world are showing a renewed interest in corporate-tax regimes, in particular the G20 and the OECD – represented here by Ángel Gurría. Because of the gaps in national tax laws, many of the largest multinational companies pay very low taxes, and they don't need to break the law to do it. The present state of affairs undermines the fairness and integrity of tax systems and – in the European context – it has several undesirable implications. Among other things, it is socially untenable. How can governments ask ordinary citizens to accept adjustments and pay their fair share of taxes if big companies don't?

But here I am talking from the competition policy perspective. The reason to tackle taxation from the State aid standpoint is simple. Selective taxation is economically inefficient, because it distorts the level playing field for the allocation of capital within the internal market. This is particularly the case for the digital, creative, and other industries based on intellectual property. In these sectors, it is easier for companies to push activities from one country to another and take advantage of the gaps that exist within the EU.

And this is where competition policy gets into the picture. Because aggressive tax planning is contrary to the principles of the Single Market, even under the present distribution of competences between the EU and its Member States. A limited number of companies actually manage to avoid paying their proper share of taxes by reaching out to certain countries and shifting their profits there. In those cases where national laws or tax-administration decisions permit or encourage these practices, there might be a State aid component involved and I intend to go to the bottom of it. This is why in the last few months we have been sending requests for information to some Member States where we have doubts about the consistency of some aspects of their legal framework or of their administrative practices.

Ladies and Gentlemen:

Let me conclude with a political consideration. In just over three months, Europe's citizens will vote to elect the new European Parliament, and a new Commission will be in place before the end of the year. We know that a growing proportion of voters across the EU are dissatisfied after this long crisis and some of them may be tempted by anti-European messages. This is a real challenge for those who believe in the European project, and one that we should tackle with great determination.

The way forward is to show how we intend to put in practice our democratic values and guarantee the future of our social model through pro-active policies, not defensive ones, both domestically and on the global stage. This is the time to explain to the people the arguments behind our firm belief that the way forward is more integration, not a beggar-thy-neighbour attitude.

More integration of markets and robust competition control is part of this pro-active approach to tackle the challenges of our times. Because experience shows that competition enhances competitiveness and innovation, creates jobs and drives economic expansion. Fair and vibrant competition in an open internal market is a crucial element of the policy mix that can boost Europe's growth and bring it up to speed with the rest of the world. If Europe is to shift gear, it must regain confidence in a well-regulated and well-functioning Single Market and in its power to generate growth and employment and offer our people brighter prospects for the future.

Thank you.