

Annual report on EU competition policy

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PURPOSE: to present the Commission's 2010 report on competition policy.

CONTENT: on the 40th anniversary of the Report on Competition Policy, this edition contains an overview of the major developments of competition policy and enforcement over the past 40 years.

Evolution and adaptability of EU competition policy : the report notes that the Treaty provisions laying down the Commission's powers and responsibilities in the field of competition policies have remained remarkably stable over the past 40 years, while the economic and political environment have dramatically changed. Competition policy rules have thus undergone a constant process of adaptation in order to contribute to the major objectives of the EU: building the Single Market, making it deliver for consumers and achieving a competitive social market economy.

The EU is undergoing a period of rapid and dramatic changes. Some challenges and issues can be foreseen with some degree of certainty – the exit from the crisis, global competition and sustainable development are among the most prominent. But the EU will no doubt face other challenges which cannot be foreseen yet. Nevertheless, it is clear that competition policy throughout its existence has, against the background of a stable Treaty framework, been able to cope with the considerable evolutions in its environment. Given its resilience and adaptability, EU competition policy will continue to be one of the European Union's assets.

Competition policy as a tool to support competitiveness in line with the Europe 2020 Strategy: as the EU exits from the current crisis in the face of fierce global competition, a major challenge for competition policy in the coming years will be to support as effectively as possible the Europe 2020 Strategy for smart, inclusive and sustainable growth.

- The Commission considers that competition policy is well placed to make such a contribution as it is a key driver for making markets work better through an efficient allocation of resources and increased productivity and innovation. It therefore underpins the competitiveness of the EU economy, which is more important than ever to maintain economic and financial stability. Competition policy and competition-enhancing reforms must thus form an integral part of the economic governance.
- Competition rules also recognise the need to enable Member States to promote the Union's objectives of economic, social and territorial cohesion. The regional aid guidelines facilitate the realisation of the territorial cohesion of the Union by promoting the development of poorer regions. The different State aid rules also allow for training aid and the promotion of the access of disadvantaged and disabled workers to employment.
- Another essential area where competition policy has evolved to take into account a long-term challenge to the Union is the protection of the environment and the promotion of sustainable growth. Through both its antitrust enforcement activities in the energy sector which enhances liquidity and security of supply in the internal market and its adoption of environmental State aid guidelines, which facilitate aid to address market failures in this area, the Commission has ensured that competition policy supports the shift towards a more sustainable economy.

Use of instruments in 2010: the report gives an overview of how the instruments of competition policy, namely the State aid, antitrust and merger control rules, were further developed and applied.

- In 2010, the Commission adopted seven cartel decisions imposing fines totalling over EUR 3 billion on 70 undertakings, maintaining its strong enforcement focus on the fight against cartels.
- The Commission continued its enforcement activities of Article 102 TFEU (abuse of dominant position), notably in the energy sector, where it took four decisions and in the ICT sector, where it opened several proceedings.
- In 2010 the number of mergers notified was at low level due to the economic crisis. In total, 274 transactions were notified to the Commission, 16 decisions were submitted to conditions and no prohibition was decided this year.
- The majority of aid approved in 2010 related to horizontal objectives of European common interest, such as culture and heritage conservation, regional cohesion, environment protection, research, development and innovation and compensations of damages caused by natural disaster, and aid related to the economic and financial crisis. Total aid excluding crisis-related measures amounted in 2009 to 0.62% of GDP or EUR 73.2 billion, at a slightly higher level than 2008 (0.58% of GDP). On average, 84% of aid to industry and services was directed towards horizontal objectives of common interest.

The report also includes an update on the use of the temporary rules for State aid adopted as a response to the financial and economic crisis. In view of the fragility of the recovery, the Commission considered premature to let the Temporary Framework expire in its entirety at the end of 2010. A progressive phasing-out was considered the most suitable response to the current market situation. On 1 December 2010, the Commission extended the validity of the rules for crisis-related measures for the financial sector until the end of 2011. The measures that address outstanding market failures, in particular the remaining problems on access to finance for SMEs, were maintained, subject to tighter conditions to reflect the gradual transition into the normal State aid regime.