

Annual report on EU competition policy

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The Committee on Economic and Monetary Affairs adopted the own-initiative report by Andreas Schwab (EPP, DE) on the Annual Report on EU Competition Policy. It welcomes the Commission Report on Competition Policy 2010, and highlights, on the occasion of the 40th anniversary of this report, the numerous benefits that EU competition policy has brought, stating that it is a constructive and stabilising factor in the EU's financial system and in the real economy in general. Members feel that improved price transparency is essential in stimulating competition in the single market and offering real choice to consumers.

Control of State aid: the report stresses that the temporary regime applicable to State aid has been positive as an initial reaction to the crisis, but that it cannot be prolonged unduly. It emphasises the need to discontinue temporary measures and exemptions as soon as possible and as soon as the economic situation allows it. It urges the Commission to link the extension of the temporary State aid to the banking sector beyond 2011 with enhanced and more stringent conditions related to the reduction of the balance sheet composition and size. This must include a proper focus on retail lending as well as stronger restrictions on bonuses, distribution of dividends and other operations on an ex post basis;

The committee calls on the Commission to come forward with the **legislative proposal to address in a true European framework the resolution of failing banks**, guaranteeing a common rulebook as well as a common set of intervention tools and triggers, and limiting taxpayers' involvement to a minimum, namely through the creation of harmonised self-financed (on a risk based approach) industry resolution funds.

Members stress that the on going consolidation in the banking sector has actually increased the market share of several major financial institutions and, therefore, urge the Commission to maintain a close watch on the sector in order to enhance competition in European banking markets, including by imposing restructuring plans that imply the separation of banking activities where retail deposits allow these institutions to fund riskier investment banking activities.

Members call on the Commission to ensure that the intended simplification of State aid rules for SGEI will not lead to deterioration in the monitoring of overcompensation. They take note of the Commission's intention to introduce a 'de minimis' arrangement in respect of State aid for SGEI, and underline that unambiguous criteria are needed to determine what services would be covered by it. Any proposal to exempt in principle further categories of SGEI from the notification requirement must be based on evidence that such an exemption from the rules is justified and necessary, and does not unduly distort competition.

Antitrust: the committee supports the Commission staff working document entitled 'Towards a Coherent European Approach to Collective Redress'. It notes that private enforcement through collective redress could facilitate EU-level compensation for harm caused to consumers and undertakings and it discusses the issues relating to collective redress. Members also discuss fining policy as an important tool for public enforcement and deterrence. It urges the Commission to incorporate a detailed basis for calculating fines, along with new fining principles, into Regulation (EC) No 1/2003. Members encourage the Commission to review its fining guidelines and suggest a series of principles to evaluate such as introducing a distinction on the level of fines for undertakings who have acted intentionally or negligently.

Merger control: Members believe that the economic and financial crisis cannot justify a relaxation of EU merger control policies. They call on the Commission to ensure that mergers, and in particular mergers

designed to rescue or restructure ailing banks, do not create more ‘too big to fail’ and more generally systemic institutions.

International cooperation: Members encourage the Commission to conclude bilateral cooperation agreements on competition enforcement, and welcome the announcement of the negotiation of such an agreement with Switzerland.

Specific sectors: insofar as an open and **competitive single market in energy** has not yet been fully achieved, the committee asks the Commission to actively monitor competition in energy markets, specifically whenever privatisation of public utilities originates in monopolistic or oligopolistic markets. Members note that the three largest players still represent about 75% (electricity) and above 60% (gas) of the market, despite the gradual opening of the markets in the mid-1990s. The Commission is invited to issue guidelines in order to improve the access by renewables to the energy network.

The report also discusses **the following issues:** (i) the concentration of critical raw materials suppliers; (ii) the need to open up competition in the credit rating agencies sector; (iii) the need to monitor developments in commodity-related markets push forward ambitious legislative proposals within the revision of MiFID and MAD framework in order to tackle speculative practices which adversely affects European industry; (iv) the competition situation in the retail sector, in particular the consequences of alleged abuse of market power by dominant retail chains in the agriculture and food market; (v) a sector inquiry into online advertising and search engines; (vi) an inquiry into the application of public procurement rules, and whether national differences lead to a distortion of competition; (vii) the need for completion of the internal market for all transport modes as the main goal of the European transport policy; (viii) the lack of competition in the roaming market; (ix) the need to analyse the aviation sector, in particular code-share agreements between airlines which in many cases do not produce any benefits for consumers.

Competition Dialogue: Members call for the conclusion of an agreement between Parliament and the Commission setting up a comprehensive dialogue on competition policy which should strengthen the role of Parliament as the directly elected body representing European citizens.

Annual Competition Report: the committee urges the Commission to include in its Annual Report certain specified matters, including a description of the instruments adopted during the year in question, together with a justification for the changes made, and a summary of the contributions received from Parliament and from stakeholders in the context of public consultations, together with a justification as to why it has accepted some of the views expressed and not others.

Lastly, Members urge the Commission to present the **Competition Work Programme** at the beginning of each year, including a detailed list of the binding and non-binding competition instruments expected to be adopted during the coming year and of the public consultations envisaged.