

Competition Protection as We See It – perspectives of the Swedish Competition Authority

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Introduction

Dear ladies and gentlemen. I am happy and honoured to be here in celebration of the Polish Competition Authority's 15th anniversary.

Birthdays are happy occasions for celebration. They are opportunities for looking back at what we have done so far and saying: I am happy and proud of what I have achieved. Birthdays should also be opportunities for looking ahead and thinking about how we want the future to look and what we can do to reach there.

I have been asked by the organizers to say a few words on what future challenges the Swedish Competition Authority sees, and what we do to meet them.

On the benefits of competition

Talking to you about the benefits of competition is, I believe, a bit like preaching to the already faithful. Nevertheless we should not take the rationale for competition for granted. It underlies all our work and is our reason for existence. What is nearly self-evident for us is not so clear to many others. Competition is good. Competition works. And the way it works is by empowering consumers. It gives them more and better products at lower prices. Competition is all about distributing power from those who hold monopoly powers to consumers.

This simple statement has at least two important implications for our work. First, it is to be expected that those agents that hold monopoly powers are hostile to the competitive process. Second, we should always have the consumers'

interests firmly in our focus. We should bear in mind that as public agencies, the consumers, or voters if you like, are ultimately our employers.

On structural changes

Right now is a good time to pause and reflect on the development of our surrounding world. There are a number of factors that simultaneously contribute to changes in our playing field that will have important consequences for our abilities to do our job. In order to stay efficient and do our job well we must take account of these changes when we think of how we want to work in the years to come. Let me mention a number of drivers of change that I think are central.

Growing internal market

One factor that is about to profoundly change the way the European economy works is the enlargement of the internal market. The accession of Poland and the other new member states has meant that 75 million new consumers and a huge amount of new companies have become part of the single market. We can expect this to have profound influence on prices and variety of supply in old as well as new member states.

Technological innovation

Secondly, technological innovation occurs in all sectors of the economy and an increased effort at innovation arguably is one of the most important outcomes of competition. Information and communications technology is of special interest here. ICT development has created new markets for products and services that simply could not be imagined fifteen years ago. In 1990 mobile telephones were extremely rare and not very mobile either. The telephone I use today contains a more powerful computer processor than the stationary PC I had then, and the cost of it is a fraction of its cost in real terms in 1990.

ICT is important also because it has profound effects on nearly all other sectors too. Through better and cheaper means of communication new modalities for production, distribution and consumption have been created. Previously

segmented markets have converged so that it is today less and less meaningful to treat telephony differently from media or other forms of non-physical communication.

Regulatory reform

Regulatory reform is a third important driver of change. All over the world we see former monopoly markets being opened to competition. Technological development has been one factor here, but also the insight that public utility industries are made up of many separate parts that to varying degree can be exposed to competition.

This process is often referred to as deregulation, although the opening up of former monopoly markets typically requires the introduction of new rules. The whole process of liberalisation is a great challenge that can give substantial and real benefits to consumers. In order to succeed however, a number of criteria must be met. Strong and independent regulators with clear objectives seem to be a necessary condition for achieving well-functioning markets in these fields. Another necessary condition is active and informed consumers. Since consumers have little experience in acting as active agents with choices in most of the public utility markets, one must devote time and resources to give consumers the information and competence they need.

Information revolution

A fourth factor of enormous importance to the changing competition environment is the ongoing information revolution and the Internet. The web makes it easy for people to search for information on products and find the best offers. Spending patterns on the Internet are converging with high street shopping. On-line sales of services are also increasing. Retailers now face a situation where even the people who enter their stores have already made some amount of market research and are already aware of product features and offers.

Thus the information revolution serves both to empower consumers and enlarge the market.

'Culture of competition'

A fifth and last driver of change is a change of mentality. As consumers start to discover the new opportunities that increased competition brings them and the benefits derived from that, we also see a gradual spread of what we might call a 'competition culture'. By that I mean a society where consumers are informed and demanding, and use their power in order to force producers to offer them better deals. In many cases people accept old monopolies simply because they haven't thought of markets being organized in other ways. With the growth of a true culture of competition, I think we will see an even greater momentum towards consumer power.

My conclusion is that the scope for effective competition is expanding. Processes that have been sheltered are now potentially subject to competition. That brings opportunities for healthier economies and increased consumer welfare. It also means that our role as regulators becomes more difficult, or at least more complex. As our environment changes, we must adapt.

On the new role of the regulator

The growing scope for competition also means that there is a growing scope of potential competition problems. As enforcement agencies with limited resources this provides a challenge.

One consequence is that we must become more selective. Within our discretion to intervene we should choose to pursue those cases where we think that we can make a difference, and where we estimate that the effects of our interventions are the greatest. What economists call 'opportunity cost' applies to agency intervention as well.

Also the cases where we, after due consideration, decide not to intervene provide valuable information to the market players. In the interest of transparency I think we have everything to gain from publishing our motivations behind non-intervention as well.

Since our prime task is to apply competition legislation, our priority should also be to pursue those cases where competition rules are likely to be the most efficient means of tackling a problem. It is my belief that if we try to turn ourselves into some sort of super-enforcers, with all aspects of economic life on our agenda, we then lose our competitive advantage. Instead of being outstanding in one field, we risk being mediocre in a whole range of areas. Such a development would be negative for our efficiency and thus for consumers.

Last, but not least, we have an important task to be advocates of competition. This is our field of expertise. If we can not strongly and clearly argue the benefits of competition, then who can? If we use our expertise to help other actors regard their actions from a competition perspective we can substantially contribute to a more competitive economy. The principal winners of that are consumers.

Finish

This is my attempt to give the views of the Swedish Competition Authority on the future of competition protection. It is worth noting on your fifteenth anniversary that the Swedish authority has existed for thirteen years. So, from your younger brother, a heartfelt happy birthday!