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# Competition policy: a political issue

- Vie publique - Articles et débats -



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**This year, the draft report on Competition policy in Economic Committee has been subject to important arguments. The final vote will take place in April in the plenary session.**

## Combating cartels and abuses of dominant positions

2004 was the first year to see the application reforms concerning the control of mergers, cartels and State aids which sought to return to national level the examination of many cases. This is yet not without risk of complicity between national authorities and national "champions". We need to think about establishing a '(European) regulator of (national) regulators'.

The Commission is to be congratulated on the tenacity with which it fights abuses of monopoly situations, including the condemnation of Microsoft. However, there are further developments here, and the Parliament should support the Commission.

## Merger supervision

The Commission is to be congratulated on the vigilance that it generally demonstrates (e.g. Hachette / Vivendi).

However, genuine studies of the real effect of this policy are needed. Intuition says that, if supply is there, then competition, by squeezing margins and stimulating research, results in greater purchasing power for consumers.

Yet another sequence of events is possible: competitors may have no interest in increasing supply, because there is more to be gained from higher prices in a situation of shortage. We may wonder whether this sequence did not win out in the case of electricity. With good reason, the Commission is determined to prevent private monopolies being re-established on the corpses of the former public monopolies.

## The case of Rhodia

This case (now submitted to Luxembourg Court) tarnishes the Commission's reputation for a rigorous approach to mergers. It was the subject of a rectifying decision in January 2004. This modified decisions of August 1999, which authorised the merger between Rhône-Poulenc and Hoechst in return for the divestiture of Rhodia, which was authorised, in parallel, to absorb Albright & Wilson ([http://lipietz.net/article.php3?id\\_article=1764](http://lipietz.net/article.php3?id_article=1764))

Rhodia's shares, after a surge caused by the absorption of A & W, have since done nothing but nosedive, bringing ruin on shareholders and workers and questioning "its survival as an independent competitor" (Mario Monti, 2004). It appears that Rhône-Poulenc had loaded on to Rhodia all the liabilities hidden in A & W or resulting from environmental crimes such as Cubatao and Silver Bow. On this point, the Commission admitted that it has failed to exercise the duty of control arising from the initial Decision, and did not report to the national control authorities.

Given these anomalies, Parliament should, in rapporteur's view, decide to set up a committee of inquiry.

### **Control of State aid: The Ryanair case**

Since the public purse is not bottomless, the focus actually has to be on supporting the Lisbon strategy taken as a whole: promoting the knowledge-based economy, ensuring social and territorial integration and protecting the environment. Yet, if we consider the third component, we cannot but regret a degree of eclecticism on the part of the Commission.

It first notes, quite correctly, that State aid for revitalising rail transport must be encouraged, because this fits in with the policy of combating climate change. Thus, we are somewhat surprised (Ryanair/Charleroi) to find the Directorate-General for Competition encouraging the development of regional airports ... by means of subsidies for low-cost airlines (which distort competition between cities and between firms), and produce far more greenhouse gases than trains!

Similarly, where energy production is concerned, the objective of environmental protection is overlooked, whereas this is an important criterion for the European Investment Bank.

Conversely, the criteria making it possible to require the reimbursement of public aid which has been misused would well do with clarification. The Commission is vigilant about the legitimacy of aid when it is granted. It is much less so when it comes to the use of such aid after it has been granted. For instance, it is obvious that Alstom's expertise in energy production and clean transport were factors in the decision taken to save it. After this rescue, Alstom sold off its clean energy research centres without the Commission having told it to do so! The case ended up in plenary at the European Parliament (23 September 2003), where Commissioner Verheugen expressed his regret that there was no European legislation to prevent such practices.

The time has come to lay down a clear policy on who is responsible for checking that firms perform their public service obligations properly, and on who may decide on penalties for firms which use aid to increase their profits instead of serving the public.