

Expansion-hungry monopolies are thwarting competition

By Philippe Bodson

THE European Commission recently celebrated the tenth anniversary of the internal market. The prime objective of the idea was to tear down barriers between member states, which has had the positive spin-off of opening up markets within the EU-15. This has brought about enormously beneficial openings in sectors such as air travel and telecommunications.

Unfortunately, the postal sector remains largely closed to these benefits, despite improvements in service since 3% was opened up to competition in 1997. A majority of member states last year decided to retain most of the postal market under monopoly control for an undetermined period.

Some justify this by arguing that liberalisation would jeopardise the provision of services of general economic interest (SGEIs) to citizens, in spite of evidence to the contrary.

The Commission was, in a recent report, clear about the serious distortions caused by postal monopolies: "Continuing regulatory asymmetry threatens to distort the market as further steps are taken towards the full accomplishment of the internal market..." it stated.

A Green Paper – to examine the need for a new EU framework law – is currently being prepared by the Commission, which is also looking at a revision of the EU state aid laws and examining the possible need for new exemption rules.

The problem is that stakeholders representing the interests of the public sector see the SGEI debate as a means of protecting companies providing these services from competition, a goal that could make internal market distortions permanent.

Certainly it has been argued that, even though they may be less concerned with generating profit, public companies often have stronger incentives and greater ability, than profit-maximizing firms to pursue aggressive anti-competitive activities.

Public companies may, for instance, pursue objectives – such as expanded scale and enhanced revenues – and might find it advantageous to engage in anti-competitive behaviour.

It follows that particular vigilance in monitoring the market activities of state-owned companies may be warranted and that it may be appropriate to subject them to more stringent competition laws and harsher penalties for violating them.

This is clearly not what member states and certain special interest groups are currently aiming for.

Competition Commissioner Mario Monti has argued that tough competition laws, coupled with strict application of them, go a long way towards looking after consumer interest. The EU's existing laws on fair competition are clear and should not be tinkered with. In ensuring this, Monti clearly needs all the support he can get – citizens' legitimate interest to have access to affordable SGEIs must not be kidnapped by expansion-hungry monopolies.

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