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ANNUAL REPORT ON COMPETITION POLICY DEVELOPMENTS IN FINLAND

-- 2004 --

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ANNUAL REPORT ON COMPETITION POLICY DEVELOPMENTS IN FINLAND

(March 2004-March 2005)

Executive Summary

1. The Finnish Competition Authority (FCA), an independent authority operating under the Ministry of Trade and Industry, is responsible for competition law enforcement in Finland. Its object is to protect sound and effective economic competition and to increase economic efficiency by promoting competition and abolishing competition restraints violating the Finnish Act on Competition Restraints (Competition Act) and the EC competition rules. The FCA investigates competition restraints both on its own initiative and on the basis of complaints received. Additionally, the FCA attends to merger control and the international tasks falling under its jurisdiction. The other main bodies responsible for competition law enforcement are the Market Court and the Supreme Administrative Court.

2. As a result of the reform of EC competition rules, Finnish national legislation has also been amended. The amendments imply a harmonisation of the national legislation with the EC competition rules. The amended Act has been effective from 1 May 2004, i.e. since the Regulation 1/2003 implementing Articles 81 and 82 and the Merger Regulation 139/2004 became effective.

3. In 2004, 527 new domestic matters involving competition restraints and 90 relating to merger control were brought before the FCA. The FCA resolved a total of 629 competition restraints issues and merger cases. Additionally, the FCA made one initiative and issued 66 written opinions to other authorities in regulatory matters. The FCA also made two proposals to the Market Court. Furthermore, the Market Court issued 6 decisions concerning competition restraints and the Supreme Administrative Court issued 9 decisions on appeals made on the Market Court's decisions.

4. The number of merger notifications clearly decreased as a result of the new provisions which became effective in the spring of 2004. There were only 65 new notifications made in 2004 compared to 93 in the previous year. One conditional decision was taken while other mergers and acquisitions were cleared as proposed.

5. The FCA and its activities are covered in English on the FCA's home pages at www.kilpailuvirasto.fi/english. The FCA's home pages contain e.g. English press releases of all the major cases of international interest. Within the next few months, the FCA shall also publish a general English brochure on its activities.

I. Changes to competition laws and policies

1. Summary of new legal provisions of competition law and related legislation

6. Due to the adoption of the a new Regulation implementing Articles 81 and 82 of the EC Treaty, the Finnish national legislation was also reformed as of 1 May 2004 (318/2004). Articles 81 and 82 of the Treaty now became directly applicable in Finland, as in the rest of the Member States. Other amendments were also incorporated into the national Competition Act and it now corresponds to the common EU competition rules. The harmonisation of the provisions implies the expansion of the scope of the prohibition principle in the Finnish competition legislation.

7. In the context of the reform, the old exemption system was waived, the provisions on the amount of competition infringement fines were revised and a leniency system was adopted whereby companies may receive total or partial immunity from fines if they assist the FCA in the exposure of cartels. The aim of the provision on the non-imposition or reduction of fines is to facilitate the investigation of the more serious competition restraints, such as naked cartels, by encouraging the business undertakings involved to cooperate with the FCA. In addition to this, the provisions determining the amount of the competition infringement fine have been revised.

8. The obligation to notify mergers and acquisitions is now dependent on a more explicit connection to the Finnish markets. Moreover, the so-called two-year rule has been waived as only cases of minor importance involving the provision have been lodged with the FCA.

9. Substantially, the biggest amendments are related to the treatment of vertical restraints. Competition restrictions related to delivery and distribution arrangements were formerly allowed in Finland, provided they did not exhibit harmful effects on competition. Only resale price maintenance and abuse of dominant position related to distribution agreements were forbidden. Furthermore, unlike the EC rules, the Finnish rules also prohibited the setting of a maximum price.

10. Other vertical relations were covered by a general rule of Article 9 that enabled the FCA to act against competition restrictions not forbidden under other Articles provided that they, "in a manner inappropriate for sound and effective competition, decrease or are likely to decrease efficiency within the economy, or prevent or hinder the conducting of business by another".

11. As a result of the reform of the Competition Act, the prohibitive provisions were harmonised with the EC competition norms and Article 9 was waived. Thus, also other competition restrictions related to distribution channels than resale price maintenance and abuse of dominant position related to distribution agreements are now covered by the so-called prohibition principle.

12. The amended Competition Act also contains an adoption of assessment of significance corresponding to the EC legal praxis: only measures which "significantly" impede, limit or distort competition will be forbidden. The content of provisions of minor importance (*de minimis*) have been further clarified by guidelines issued by the FCA, based on a European Commission Notice.

13. The powers of the competition authorities were also revised. The decision to terminate prohibited conduct is now taken by the FCA and not the Market Court. The FCA's decisions are appealable to the Market Court. However, competition infringement fines are still imposed by the Market Court on the FCA's proposal.

14. Furthermore, the amended Competition Act empowers the FCA to assist the Commission in inspections to other than business premises. The right to seal premises and to record oral statements is expressly included in the new Competition Act.

2. Other relevant measures, including new guidelines

15. The FCA published five Notices in May 2004 when the new Competition Act became effective. These are called Guidelines and they concern horizontal and vertical competition restraints, restrictions of minor importance, reduction and non-imposition of the competition infringement fine and the revised merger provisions. The Guidelines are based on the Block Exemption Regulations and Guidelines published by the Commission and they clarify the FCA's application practice.

II. Enforcement of competition laws and policies

1. Action against anticompetitive practices, including agreements and abuse of dominant positions

a) summary of activities of FCA:

16. In 2004, 527 domestic competition restraints cases (incl. opinions and initiatives) and 90 merger cases were opened at the FCA. The number of cases increased by 8 per cent compared to 2003. A total of 629 competition restraints and merger cases were closed in 2004, a 20 per cent increase compared to 2003. The number of pending cases at the end of the year lowered by 10 per cent compared to 2003.

17. In competition enforcement and competition advocacy, the emphasis was to be on preventive control conducted on the FCA's own initiative as compared to ex post control. Resources were particularly engaged in cartel enforcement, and the telecom and energy sectors, as regards abuse of dominance. These two fields were also highlighted in the competition advocacy work.

18. The investigations on the broadband market commenced in 2002 still tied up a large number of the FCA's resources in 2004: the project itself ended in the Market Court proposal made in October 2004 on the regional telephone company Lännen Puhelin but the FCA still received a number of new complaints on the broadband markets even after that.

19. In 2004, a major part of the resources in cartel enforcement were tied up with requests for access to file lodged on the basis of the new Act on the Publicity of Official Documents.

20. From January 2004 to April 2004, the FCA granted 15 exemptions. Following the amendments of the spring of 2004, exemptions are no longer granted. Since the new provisions have become effective, nine applications for exemptions and/or negative clearance lapsed at the FCA.

21. In 2004, the FCA made two proposals to the Market Court on the imposition of a fine for competition infringements. The Market Court issued 6 decisions concerning competition restrictions and the Supreme Administrative Court issued 9 decisions on appeals made against the Market Court's decisions in competition cases.

b) description of significant cases, including those with international implications

Cartels and other forbidden agreements

Proposal to Market Court on imposition of fines for asphalt cartel

22. In March 2004, the FCA proposed that a competition infringement fine be imposed on seven asphalt companies and the Finnish Asphalt Association. The FCA finds that the companies have been engaged in forbidden national price and bidding cooperation and market allocation at least during 1994-2002. The Finnish Asphalt Association is considered guilty of forbidden exchange of information in 1997. The total amount of the infringement fines proposed is roughly 97 million euros. When considering the amount of the infringement fines, the FCA paid attention to e.g. the volume of operations of the companies involved in the cartel, the duration and gravity of the infringement and the companies' role in the cartel. The case is pending at the Market Court.

Proposal to Market Court for competition infringement fine on pricing practice applied by daily consumer goods chains

23. In 2002, the FCA examined the pricing practices of the daily consumer goods chains. It was detected during the investigations that the K-market, K-neighbourhood store and K-extra chains had conducted forbidden price cooperation. The forbidden cooperation took place in the K-market and K-neighbourhood store chains in 1997-2000 and consisted of setting maximum prices on the daily consumer goods part of the basic selection. A corresponding infringement took place in the K-extra chain in 1999-2000.

24. An exemption had been sought from the FCA in 1998 for the imposing of maximum prices but the FCA had rejected the application. The price cooperation continued in spite of this. Kesko participated in the prohibited conduct by implementing the pricing decisions of the chain boards. The pricing information was delivered to the retailers either as lists or by directly feeding the information in the cash systems. Additionally, based on the chain agreements, Kesko demanded that the retailers follow the prices set by the chain boards.

25. In February 2005, the FCA made a proposal for a competition infringement fine to the Market Court. The FCA proposed that an infringement fine of 100'000 euros be imposed on Kesko Plc and an infringement fine of 10'000 euros be imposed on the K-Food Retailer Association. In determining the amount of the fine, the FCA found it a mitigating circumstance that Kesko had contributed to the investigation of the competition restraint.

Raw wood market

26. In May 2004, the FCA carried out inspections to the premises of the wood trade cooperative Metsäliitto-Yhtymä and the forest product company Stora Enso Plc in several regions. The companies are suspected of price cooperation in the raw wood market. A cartel investigation was commenced after the forest product company UPM-Kymmene Plc had applied for immunity under Article 9 of the Competition Act. The conclusions on the case are expected to be finalised in autumn 2005.

Wholesale business of car accessories

27. In the summer of 2004, inspections were launched into five wholesale businesses dealing with car accessories. The companies are e.g. suspected of forbidden price cooperation. Proceedings were initiated when one of the companies sought for immunity under Article 9 of the Competition Act. The case is still pending.

28. Cases regarding the roofing felt market and the ventilation market are also pending at the FCA; these also involve cartel suspicions.

Brokerage fee recommendation of Federation of Finnish Insurance Companies

29. In April 2004, the FCA issued a decision where it held that the Federation of Finnish Insurance Companies and its member companies had violated the Competition Act when they had decided on a joint recommendation whereby the member companies would have adopted so-called net-pricing in their brokerage fees.

30. An insurance broker may receive compensation either from the insurance company or from the principal, i.e. the customer buying an insurance. The recommendation of the Federation about the transfer to net-pricing would have implied that brokers should have charged the clients for their own fees. The

insurance premium charged by the insurance company from the clients would thus not have contained a brokerage fee. In gross pricing, the insurance premium includes the brokerage fee.

31. After the FCA had intervened with the matter, the Federation of Finnish Insurance Companies had sought for an exemption for their practice. The application was based on the argument of improved transparency of the brokerage fees and thus increased competition.

32. The FCA found in its decision that the enhancement of the transparency of the brokerage fees did not require that the insurance companies collectively agree on net-pricing. When necessary, clients obtaining insurance had a possibility to obtain information about the size of the brokerage fee without mutual agreements. The FCA found that it could not grant an exemption for the recommendation, because it is possible to achieve the efficiency benefits possibly arising from the arrangement by alternative means, whose restrictive effects on competition are lesser than those of the joint recommendation.

33. Since the Federation of Finnish Insurance Companies had informed the FCA about the issue of the recommendation, and subsequently applied for an exemption, the FCA found that a proposal to the Market Court on the imposition of an infringement fine was not necessary. The federation has appealed against the decision to the Market Court.

Output limitation in application of architectural competition conditions

34. By its decision of October 2004, the FCA ordered that the Finnish Association of Architects terminate the conduct whereby the members of the Association are prevented from entering other national architectural competitions than the ones consulted by or approved by SAFA. The FCA held that the case involved an output limitation and found that the Association has not presented a lawful justification for its prohibition. The Finnish Association of Architects has appealed against the decision to the Market Court.

Decision of Supreme Administrative Court in bid-rigging cartel in taxi sector

35. In September 2004, the Supreme Administrative Court issued its decision in a case involving a local Taxi Federation Kuopion Taksiautoilijat. The Market Court had imposed an infringement fine of 5'000 euros on the Federation and a 1'500 euros individual infringement fine on the taxi-drivers who belong to the federation. The Supreme Administrative Court supported the Market Court's view according to which the case had involved a forbidden bid-rigging cartel. The Court ruled, however, that an infringement fine should not be imposed on individual taxi-drivers because the benefit obtained by an individual driver had been so small and because the drivers had to pay the infringement fine indirectly in the fine imposed on the Federation.

Abuse of dominant position

Proposal to Market Court on infringement fine for abuse of dominant position in broadband market

36. In October 2004, the FCA made a proposal to the Market Court on the imposition of an infringement fine of one million euros to the local telephone company Lännen Puhelin Ltd. The proposal argues that by the pricing and technical properties of its wholesale broadband product offered to competing operators, Lännen Puhelin has prevented the entry of competitors to its traditional operating area and hence violated the Competition Act between 1 June 2001 and 30 June 2004.

37. Lännen Puhelin offered to its competitors a wholesale product based on two alternative network technologies. In one, the company applied a so-called prize squeeze and the other was such by its technical

properties that, by using it, only the service operator of Lännen Puhelin could offer broadband connections to consumers. Competing operators thus did not have available to them an ADSL wholesale product which would have enabled entry to the market. With its more than 90 per cent market share, Lännen Puhelin was hence the sole provider of broadband connections in its area.

Abuse of dominant position in the wholesale market of telephone subscriber information

38. In 2004, the FCA also investigated the alleged abuse of dominance in the wholesale market of telephone subscriber information. The case involves a situation where Suomen Numeropalvelu Ltd governing the only national database of telephone subscriber information dissolved a delivery contract between itself and Eniro Finland Ltd and threatened to sever Eniro's connections to its databases, would Eniro not close down its free *eniro.fi* Internet service. Suomen Numeropalvelu Ltd argued that Eniro violates the data protection legislation by offering a search service of private citizens for free and without registration over the Internet. Eniro has contested this and claimed that it adheres to the data protection legislation. The investigations were finalised at the turn of the year and the parties concerned were sent an envisaged decision for comments at the start of 2005.

Discriminatory pricing in harbour fees

39. The FCA found in its decision of November 2004 that the City of Mariehamn had violated the Competition Act in 1993–2000 and applied pricing which discriminated against small vessels when determining its harbour fees. The increase in harbour fees conducted in 2000 was found to contain elements which were related to abuse of dominance.

40. In addition to the discriminatory problem, the complainant also suggested that the harbour fees collected by the City were unreasonably high in relation to the costs incurred from the provision of the services and that the rise in 2000 was not based on an increase in costs. Based on the FCA's investigations, however, it was not shown that, on the whole, the harbour fees amounted to unreasonable pricing prohibited by the Competition Act. The matter has been appealed before the Market Court.

41. The other decisions taken in 2004 included the availability of TIR-customs documents, the non-discriminatoriness of Finland Post Ltd, the alleged abuse of dominant position by VR-Track Ltd in the electrification of the railway track, the conduct of Abloy Ltd in the lock business, the pricing of the water supply and sewerage plant of the city of Forssa, the maintenance services of used Hewlett-Packard computers and the conduct of the Finnish Skiing Association in the sponsorship market.

2. Mergers and acquisitions

a) statistics on number, size and type of mergers notified and/or controlled under competition laws;

The FCA's merger decisions 2003-2004 (calendar years)

| | 2003 | 2004 |
|--------------------------|------|------|
| Decisions | 93 | 65 |
| Lapsed pre-notifications | 15 | 8 |
| Other closed cases | 29 | 16 |
| Total | 137 | 89 |

Merger decisions according to type of decision:

| | 2003 | 2004 |
|--|------|------|
| Proposal to prohibit | 0 | 0 |
| Cleared as conditional | 2 | 1 |
| Cleared as such in Stage I | 90 | 64 |
| Cleared as such in Stage II | 1 | 0 |
| Acquisition not covered by merger provisions | 0 | 0 |
| Total number of decisions | 93 | 65 |

*b) summary of significant cases**Cheese business of Valio Ltd / Dairy Cooperative Milka in Vöyri*

42. In October 2004, the FCA cleared as conditional an arrangement whereby Valio Ltd acquired Dairy Cooperative Milka's cheese business in Vöyri. The FCA assessed the effects of the acquisition particularly in the cheese market and its subsegments and the purchase and delivery of raw milk. Although the parties' combined market shares in the cheese market are rather high in Finland, the import of cheese and domestic competition were estimated to form a sufficient counterforce to the concentration. Hence, the competitive problems were mainly related to the trade of raw milk, which is highly concentrated in Finland. Valio's share of the raw milk obtained from the producers was roughly 80 per cent before and with Milka's share of raw milk, Valio's position is further reinforced.

43. In 2000, Valio had already gained possession of the Cooperative Maito-Pirkka, the Kainuu Dairy Cooperative and their marketing company Aito Maito Fin Ltd. The FCA assessed the acquisition and found that Valio held a dominant position in the market of raw milk purchases and deliveries in Finland. The acquisition was cleared e.g. on the condition that Valio undertook to sell a maximum of 150 million litres of raw milk to its competitors at the average purchasing price of its own dairy industry.

44. The Milka deal could be approved after Valio had undertaken to increase the deliveries mentioned in the Aito Maito decision by 35 million litres, which roughly corresponds to half of all the milk collected by Milka. Valio also undertook to offer freight packaging and to make export purchases, as it did in the Aito Maito case.

Metsäliitto Cooperative / Finnish State / Vapo Ltd.

45. By its decision issued in January 2005, the FCA cleared as conditional an acquisition whereby Vapo Ltd, where the Finnish state has a majority ownership, transfers to the joint control of the Metsäliitto Cooperative and the Finnish State. The competitive problems of the concentration were primarily seen to be related to energy peat and wood-based fuels, which are, at least to a certain extent, competing fuels.

46. The background of the investigation was that Vapo held a significant market position in the energy peat market and that both Vapo and a national bio energy company Biowatti part of Metsäliitto also operated in the wood-based fuel market. One condition for the clearance of the acquisition was that almost all of Biowatti's wood-based fuel businesses be divested from the concentration and be sold to Biowatti's operative management. In addition, some conditions were imposed on the market conduct of the concentration formed by the Metsäliitto Cooperative and Vapo, the purpose of which is to safeguard the business potential of the new Biowatti for the transition period.

47. In the context of the deal, an agreement was made on the raw material deliveries by Metsäliitto to the new Biowatti. In the FCA's estimate, the company has good opportunities to build an extensive relationship of cooperation to other suppliers of raw material as well. With the conditions, the overlapping activities of the parties in the wood-based fuel market will be eliminated and the new Biowatti will have all that is required to form a major competitor on the wood-based fuel market.

48. The FCA had reviewed a similar arrangement at the start of 2001 and cleared the acquisition as conditional as regards energy peat and wood-based fuels. However, the deal was dissolved after the decision had been issued.

49. Other major merger cases in 2004 included Altia / Scandinavian Beverage Group, Nestlé / Valio ice cream, Nokia / Symbian and Lassila & Tikanoja, Tieliikelaitos / Salvor.

III. The role of competition authorities in the formulation and implementation of other policies, e.g. regulatory reform, trade and industrial policies

50. By making initiatives, giving opinions and participating in legislative drafting, the FCA seeks to influence the reform of regulation in the working groups established by different ministries. In cooperation with the state provincial offices, the FCA also writes up reports and bulletins with the purpose of directing the operations of market actors. The objective is that market actors and those affecting the operations in the markets know the competition rules and what they stand for and commit in their activities to promoting effective competition.

51. In 2004, the main goals of competition advocacy included influencing the marketization of public service production and promoting the competition perspective in the preparation of e.g. environmental legislation and the follow-up of the national construction-political programme. At the request of the ministries responsible for law drafting, the FCA issued 66 opinions and made one initiative to amend the fringe benefit instructions regarding staff luncheons at the Finnish Tax Administration.

Participation in several working groups

52. The FCA participates in a working group on trade established by the Ministry of Trade and Industry in 2004. The working group supports the writing of a report on trade requested by the Parliament, and charts the effect of opening hours on the structure of the retail trade and examines the present condition and future of the retail trade on the basis of existing studies and accounts. The expert hearings of the working group have dealt with trade regulation e.g. as regards opening hours, zoning, distribution of over-the-counter medications and mild alcoholic beverages. The deadline of the working group is set at the end of May 2005.

53. A working group of the Ministry of Transport and Communications, in which the FCA participates, proposed in its report published in June 2004 that the means testing, price regulation, driving shift lists of taxi traffic and the rules on locations and the regulation on taxi centres be dispensed with. However, professional taxi traffic would still require a permit, the conditions of which would even be tightened to ensure the safety of the taxi services and the appropriate traffic management. The basic level of services would also be determined. The availability of the service particularly in the rural areas would be improved by issuing permits to part-time passenger transports, too.

54. The working group of the Ministry of Trade and Industry which considered the allocation criteria of emission rights and in which the FCA had representation finished its report in the spring of 2004. A

national allocation programme has hence been approved on the basis of the work. The FCA contributed to the fact that new actors were reserved their own emission quota.

55. The FCA participated in the working group on telecommunications established in August 2003 containing the representation of all five Nordic competition authorities. The aim was to examine the competitive situation in the Nordic countries and to investigate the competitive problems in the sector and the effect of market structure on the service prices. The working group published its report in October 2004. According to the report, the telecoms market is one of the most highly regulated markets, in which the risk of over-regulation is obvious. The report also shows that there are major differences in the telecom services between the five Nordic countries.

56. The FCA was also represented in the investigative group of the Ministry of Transport and Communications, the task of which is, by the end of April 2005, to chart the needs to reform the Act on the merchant ship list in foreign traffic. The group issued an interim report on 17 December 2004, which examines the needs for change resulting from the competition neutrality problems included in the present shipping aid system and the new guidelines on the state aid for shipping.

57. In addition, the FCA has participated, since the spring of 2004, in the work of the Ministry of Finance working group related to the government productivity project. It is the task of the group to examine the role of the public sector in the production of public services.

Issued opinions

58. *To promote competition in the pharmaceutical market*, the FCA has had contact with the Ministry of Trade and Industry and the Ministry of Social Affairs and Health. The FCA has e.g. drafted a summary memorandum on the competitive problems in the pharmaceutical market. The FCA has issued an opinion to the Ministry of Social Affairs and Health on the report of the national Agency for Medicines, in which it was suggested that the pharmacy fee be halved, the degressivity of the price list for drugs be increased and the founding rights of the branch pharmacy rights be expanded.

59. The FCA was heard by the Parliament's Environment Committee last year when the *Waste Act* was prepared. The government bill included a proposal on the expansion of producer responsibility to cover end-of life vehicles and electrical and electronic waste. Until now, in addition to municipal waste management plants and private companies, social companies have been responsible for the re-cycling of electrical and electronic waste while vehicle dismantling companies have managed the recycling of end-of life vehicles. In the hearing, the FCA's representative stressed the fact that the adoption of producer responsibility is likely to lead, in the Finnish conditions, to the establishment of producer communities holding a dominant position and hence possessing significant market power. Such a community may endanger the operational possibilities of the other companies operating in the processing chain. The Parliament has since allowed a provision in the Waste Act, in which producer communities are obliged to take into consideration all economic actors and their relevant operating possibilities in the market. The provision also assists the future monitoring of the producer communities from a competition law perspective.

60. In the spring of 2004, the Ministry of Transport and Communications invited an opinion from the FCA on its proposals regarding the *amendment of the Telecommunications Market Act*. The proposal included a right granted to the Finnish Telecommunications Regulatory Authority to provide a price ceiling to a fixed network company in possession of significant market power. The FCA informed the Ministry that it objected to the amendment.

61. However, the FCA supported the reform of the regulation on the mobile telephony network proposed by the Ministry of Transport and Communications: fixed network operators would have the opportunity to purchase the connecting traffic service from the mobile network operator and to sell it as a supplement to the local call service. However, the FCA found it negative that the proposed amendment would be restricted to such situations only where the customer uses operator preselection or dials the operator-specific code. The elimination of competitive distortions would thus depend on the customers' own activity.

62. The government bill did not pay attention to the FCA's critical views. However, the FCA was later heard by the Parliament's Transport and Communications Committee. The FCA's opinion stressed the fact that an intervention with free pricing always requires an exceptional situation and firm argumentation. The Parliament's Constitutional Law Committee and the Transport and Communications Committee have since proposed major limitations to the right to impose a price ceiling which were also written into the Act.

63. A new monitoring system was introduced in the electricity network business at the start of 2005 in which the Energy Market Authority determines the pricing principles and allowed level of the return on capital in advance. In the context of the *reform of the Electricity Market Act*, a number of lower-level provisions were also amended. The FCA issued several opinions on the matter to the Ministry of Trade and Industry, the Energy Market Authority and the Parliament in 2004.

64. Unfortunately, the adoption of a new monitoring system implies a step backwards, towards price regulation from the FCA's perspective. If monitoring the fairness of the pricing is considered necessary, however, it shall be arranged in a transparent and foreseeable way. In its opinions, the FCA also stated that determining a reasonable price is difficult in a market where all actors de facto hold a dominant position.

65. In 2004, the FCA also issued an opinion to the Ministry of Trade and Industry on the report of the working group examining the *role of the government in the security of electricity supply*. The working group's aim was to clarify the role of the government in exceptionally difficult capacity situations in particular. The report contains proposals on how a bidding contest and capacity monitoring should be arranged in such a way that the demands of the EC Internal Market Directive would be met. The FCA supported all the action proposals of the group.

66. In June 2004, the FCA issued an opinion to the Ministry of Social Affairs and Health on the *reform of the legislation on insurance representation*. The opinion supported the division of representatives to brokers and agents because it would clarify the financial nature of these two different functions. A reform which would increase the transparency of the brokerage fees would also be a step toward the right direction, as it would increase knowledge of brokerage fees and promote competition and efficiency in the field. The government bill on insurance representation was brought before the Parliament in October 2004.

Promoting competition-related research

67. In 2004, the FCA continued its dialogue with the Ministry of Trade and Industry on the competition-related research projects financed by the Ministry. Of the programme proposals presented by the FCA in 2003, the research project on the development and operationalization of follow-up methods relating to competition and the project on regulatory impact assessment were considered the most important. The FCA delivered the research plan proposals relating to these two projects to the Ministry in April 2004.

68. In 2004, the first one of the projects concerning the development and operationalization of follow-up methods relating to competition was commenced. It is carried out by the Institute for Competition Policy founded under the Turku School of Economics and Business Administration in the spring of 2004. The FCA has representation in the research steering group. The research shall be finished by the end of September 2005.

IV. Resources of the FCA

1. Resources overall (current numbers and change over previous year):

a) Annual budget (in euros and USD)

| Year | No. of FCA officials | Budget expenditure euros (and US Dollars) |
|------|----------------------|--|
| 2005 | 67 | 5.003.000 (6.437.860*) |
| 2004 | 67 | 4.688.000 (5.646.000**) |
| 2003 | 68 | 4.593.000 (5.196.000***) |
| 2002 | 67 | 4.571.000 |
| 2001 | 66 | 3.974.000 |
| 2000 | 62 | 3.596.000 |

* According to the euro exchange rates published on 15 April 2005.

** According to the euro exchange rates published on 19 April 2004.

*** According to the average rate of euro in 2003.

b) Number of employees (person-years):

Economists: 24

Lawyers: 17

Other professionals: 9

Support staff: 17

All staff combined: 67

2. Human resources (person-years) applied to:

a) Enforcement against anticompetitive practices (Cartel Unit): 20

b) Merger review and enforcement (Monopoly Unit, which deals with both merger control and cases concerning abuse of dominant position): 19

c) Advocacy efforts: 8

3. Period covered by the above information: 2004

V. Summaries of or references to new reports and studies on competition policy issues

69. The FCA's Guidelines publication (in Finnish) related to the entry into force of the new Competition Act was published immediately after the new law became effective. A brochure on the reform of the competition legislation was published in May. It was produced in cooperation with the Ministry of Trade and Industry and the Central Chamber of Commerce and distributed in between the CCC's customer magazine. It is also available in Finnish and in Swedish on the Internet pages of the FCA and the CCC.

70. A commemorative book "On the side of competition – opening up a new route" (in Finnish) was published in December 2004 in honour of the 60th birthday of FCA's long-time Director General Matti Purasjoki who retired on 1 January 2005. The 30 articles contained in the book examine from different angles the development of competition law and economics and the formation of competition policy in Finland.