

**OECD GLOBAL FORUM ON COMPETITION,
PARIS
CONSUMER AND COMPETITION POLICIES – BOTH FOR
WELFARE AND GROWTH
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Ladies and Gentlemen,

It is a great honour for me to address the OECD Global Forum on Competition. I am delighted to have this opportunity to share with you my vision of EU consumer policy and how it can work with competition policy to make market deliver for consumers. Let me begin by stressing the aims of the EU consumer policy strategy 2007-2013 adopted by the Commission last year.

Consumer policy Strategy

This strategy recognizes the consumer as an essential economic agent in markets and aims to empower them to act in their best interest at all times. In so doing, consumers make markets work better: by exercising their power of comparison and choice, they reward the efficient operators and weed out the inefficient ones.

The synergies between competition and consumer policy are clear. Both policies share the goals of healthy competition and consumer welfare. But they complement each other by tackling different problems with different tools.

Consumer policy aims to ensure that consumers are provided with information, choice and flexibility, and that they operate in an environment they trust.

I strongly believe that the consumer side of the internal market of 490 million Europeans is a powerful force, both for competition and for connection with our citizens.

But, at the moment, this opportunity is far from being fully exploited. The retail internal market is currently fragmented between 27 national markets, to the detriment of both producers and consumers. In essence, at the retail level we have 27 national mini-markets, instead of a pan-European supermarket.

The Internet era has opened up new opportunities, allowing cross-border shopping and enabling consumers to get better information and to compare prices. However, although 50% of European consumers with an Internet connection at home made an on-line purchase in 2006, only 12% of them dared to make a cross-border purchase.

The Commission's objective is therefore to harness the untapped potential of the internal market to expand consumer welfare in terms of better prices, choice, quality, affordability and safety.

But building and integrating markets requires building trust. Markets are becoming more complex and sophisticated, as are commercial practices and consumer fraud. Consumers need to be empowered to play their full role in making markets work.

To have confidence in the markets and make better choices, they need accurate information and market transparency.

If we are to make the internal market work for consumers and businesses, we also need to develop the predictability of conditions that exist in a national market. Sound regulation that delivers a clear and robust framework for consumer choice is a *sine qua non*.

The Unfair Commercial Practices Directive has put in place a harmonised framework banning practices such as misleading advertising. The legal framework on consumer contract law is currently being reviewed and studied with the same goals in mind: to introduce a single, simple set of basic rights and obligations to consumers and business.

The Commission is also working hard to ensure that consumer law is effectively **enforced**. The value of an effective enforcement regime as a deterrent is a common theme to both consumer policy and competition policy. A network of consumer protection enforcement authorities - similar to the

European Competition Network - was established in 2007 and is now cooperating to crack down on rogue traders.

The links between consumer and competition policy

Obviously, consumers need markets with healthy competition. EU competition policy has undoubtedly been of great benefit to consumers. The Commission's work on cartels in recent times, for example, has had a clear and direct effect on consumer welfare. The fines levied against car manufacturers who pressurise dealers not to accept cross-border purchases is another good example.

The Commission's efforts to tackle cases of dominant position on the market, of cartels and other anti-competitive agreements between businesses have had a very significant positive impact in our markets.

However, I'm sure you will agree that this is not always sufficient. Competition policy cannot address all the problems that may reduce market efficiency and consumer welfare. Certain practices collectively adopted by an industry can mislead consumers. Obfuscation, complex pricing and in some cases product tying all impair consumers' ability to take optimal decisions. Tacit collusion is another example of practices that

cause consumer detriment, yet are not (easily) caught by competition instruments.

The bad news is that such practices not only impact negatively on consumer welfare, but also may prevent more efficient producers from reaping their just rewards. This in turn weakens competition and innovation.

The good news is that some of these issues such as unfair and misleading practices could be tackled by consumer policy and in particular by the Unfair Commercial Practices Directive. Tackling these problems refocuses competition on the fundamentals of price and quality.

Consumer policy is therefore central to addressing potential demand-side failures preventing consumers to exercise undistorted choice.

So it is clear that competition policy and consumer policy are complementary. Competition is a necessary condition for consumer welfare. Consumer policy in turn enhances competition by empowering consumers to exercise the power of choice.

I am convinced that confident, informed and empowered consumers are a crucial motor of economic change, as their choices drive innovation and efficiency.

Cooperation between consumer and competition policy

I think we can agree that the two policies are complementary. The question remains as to how they can work better together.

Both policies seek to monitor the behaviour of economic operators for the good of consumers. But the problems tend to be different and there is no automatic correspondence between competition problems and consumer problems in a particular sector. Problems in markets must be clearly identified and dealt with using the appropriate tools.

I see the main area for cooperation as upstream in the policy cycle at the market screening and analysis phase.

The Commission's recent initiative to launch a consumer market scoreboard offers a new way forward to detect market malfunction as perceived by consumers. We are putting in place the tools to monitor five indicators of market malfunction – prices; complaints; switching; consumer satisfaction and safety.

When these indicators are in place, I hope they will provide the tools for the Commission to prioritise markets for more in-depth study. These indicators are no more than that – they are not proof of market failure. But the problems they reveal will not only be consumer policy ones. I expect that the evidence gathered will also point to competition or regulatory problems.

For example, high consumer dissatisfaction or a very high level of complaints may not be due only to the effects of misleading advertising or unfair contracts. Disproportionately high prices or inability to switch suppliers may indicate poor competition.

But our work can not stop at this stage. The Commission's next step will be an in-depth analysis of the markets that show signs of malfunctioning. The Commission's Single Market Review has committed the Commission to carrying out these studies in a more coordinated way, bringing together the experience of competition and consumer analysts, but also sectoral experts.

I have great hopes that through this analytical work a broader scope for cooperation between the two policy areas can be found. To mention one particular aspect of this work, I have high hopes for the work the OECD is doing on behavioural economics.

The ever increasing complexity of markets and commercial practices is shedding new light on the capacity and willingness of consumers to make optimal choices. Behavioural economics is beginning to explain the boundaries to rational consumer behaviour. As regulators and policymakers we have to take into account the way consumers actually behave rather than the way the economics textbooks say they should behave.

So I hope that behavioural economics will deliver insights that policymakers can use. These insights have obvious potential for consumer policy, whether in relation to regulation or information. But I think they could also have important implications for competition policy, especially in the development of remedies.

So I look to the OECD to advance our understanding and make behavioural economics operational for policymakers and enforcers.

In conclusion, let me again underline the importance of greater cooperation between competition and consumer policy. Both policies strive for the same goals. They are two sides of the same coin. I wish the conference every success in bringing the two policies closer together.

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