How competition can build a better market

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Introduction

Ladies and gentlemen

It's a great pleasure to be here today, at the American Enterprise Institute.

I knew I'd feel welcomed here when I saw the Institute's motto: "The competition of ideas is fundamental to a free society."

For me, that's what good policymaking is all about.

If our ideas are never challenged, they never get better. We end up stuck with ideas that once served us well, but haven't kept up with the changes in our world. And when we don't hear different views, we lose out on the freedom to think for ourselves.

And just as the competition of ideas is fundamental to a free society, competition in our markets is fundamental to a fair one.

Why competition matters

Because challenge and competition make us better. If our businesses aren't challenged, if they don't have to compete, then they don't have any reason to work to serve people better.

Competition is the motor that drives businesses to do better for consumers. To cut prices. To offer more choice. To produce innovative products.

Competition enforcers didn't build that motor. We just help to keep it running smoothly. By getting rid of the obstacles that stop competition doing its job.

That's why we have antitrust rules to prevent cartels, and stop dominant companies using their power to drive out competition.

It's why we have rules to make sure that mergers don't undermine competition.

And it's also why, since the European Union was founded, sixty years ago, we've had rules on state aid, that stop governments using subsidies to give some companies an unfair benefit.

Keeping prices low

The most basic aim of those competition rules is to help keep prices down.

In the past five years, more than half of our antitrust decisions have been about putting a stop to cartels. Like our decision last year to fine five European truckmakers a total of nearly three billion euros, for a cartel that fixed gross list prices of trucks for fourteen years.

Most of our work on mergers is also about keeping prices down. In more than 90% of the mergers where we had to step in, last year and the year before, our main concern was that the merger would have meant fewer competitors and higher prices.

And that makes a real difference. In those two years, we estimate that our work on mergers and cartels saved customers as much as 30 billion euros. And that's without considering all the mergers that were never filed, all the cartels that were never formed, because our rules wouldn't have allowed it.

Protecting choice

But there's more to competition than keeping prices low.

Even when a product seems to be free – like a search engine, or a social network – competition still helps to get consumers a better deal.

Last year, we looked at Microsoft's merger with LinkedIn. And even though most people use LinkedIn without paying – at least in cash – we were concerned that the merger would affect competition. We knew that after the merger the two companies would connect their products. And that would have risked shutting other professional social networks out of the EU market.

Without competition, users would have lost out on choice. They could have lost, for example, the chance to choose the service with the best privacy policy. So we only approved the deal after Microsoft gave us commitments that will keep the market open after the merger.

Defending innovation

Competition gives us more choice and lower prices today. But it also helps to give us better products tomorrow. Because it's competition – the drive to get ahead of your rivals – that pushes businesses to keep innovating.

Earlier this year, we found that the merger between Dow and DuPont would not just have raised prices, but also hold back innovation. Dow and DuPont were two of only five companies that took part in all stages of developing pesticides to meet the needs of farmers throughout the world. And we found evidence that they planned to cut back their research efforts after the merger.

That would have slowed innovation. It could have left farmers stuck with older products that were less effective, and more toxic. So, we only approved the merger after the companies agreed to sell large parts of DuPont's pesticide business – including its worldwide research arm for pesticides.

Google

Innovation was also an issue in our decision against Google earlier this year.

Consumers don't pay to use Google's search engine – not in cash, at least. But that doesn't change the fact that Internet search is a market – and it's one that Google dominates in Europe, with more than 90% of the market in most EU countries.

This market dominance gives it a special responsibility under European competition law. A responsibility not to abuse its power but to keep competing only on the merits of its products and services. In our decision we established that Google did not comply with this obligation.

Instead, Google decided to use the power of its search engine to deny other companies a chance to compete on a neighbouring market, namely the market for comparison shopping services. Google showed its own comparison shopping service at the very top of the first page of its search results. That gave its own service a prominence that its competitors couldn't match. And Google also demoted its rivals in search results, so they only appeared – on average – on page four.

The results were impressive. Google's rivals suddenly lost as much as 90% of their traffic – and despite their best efforts, they never got all those visitors back.

That matters, but not because we feel sorry for those competitors. After all, for competition to do its job, companies have to be able to lose as well as win.

But that cuts both ways. Big companies also have to face competition – to face the risk of failure. And that won't happen, if we allow them to use their power to stop anyone else even having the chance to compete.

Because when companies can't lose, they have no reason to do better.

Competition and regulation

Of course, it's not the job of a competition authority to take the place of the market. To set the prices of trucks. To tell Google, or Dow, what innovations to produce.

But we know that as long as competition stays fierce, those companies will have no choice but to meet consumers' needs. To keep prices low, and make the effort to innovate. And there's no need for us to interfere with that process, by trying to say precisely what the outcomes of competition should be.

But there are times public authorities need to go further. When it does make sense to control what the markets produce. When our health, or our environment, or our basic rights are in question.

These are important concerns. But they're not something competition rules can fix.

Not because there's a problem with our rules. But because competition is only part of the answer.

Look at pesticides, for example.

Farmers need affordable, innovative pesticides. And competitive markets can answer that need. So by protecting competition, our decision on the merger between Dow and DuPont will keep prices down and innovation thriving.

And we'll take the same approach when we look at the planned merger between Bayer and Monsanto.

But prices and innovation are not the only things that matter.

I've had many letters – and postcards – and emails – and tweets – from people who are concerned about these chemical mergers. And often what they're worried about isn't prices and innovation but what pesticides can do to the environment. Or to our health and the safety of the food we eat.

And I agree that we can't just rely on the market to guarantee that pesticides are safe – for farmers, for the environment, and for us as consumers. We need the protection of clear, strict regulations.

Europe has some of the most stringent pesticide regulations in the world. Those regulations applied before these mergers. And they’ll still apply after they're completed. Both to companies that merge and those that don't.

But we musn't get things mixed up. My job as European Commissioner for Competition is to look at how the merger will affect competition. And that is what I'll do.

Controlling vehicle emissions is another case where competition alone isn't enough.

Many people are concerned about how their lifestyles affect the environment. And through the market, they can put a lot of pressure on companies to produce greener products.

And if companies respond to that pressure by agreeing to work together to resist the demand for greener products, then competition enforcers may have to step in. That's what happened in the truckmakers’ cartel that we dealt with last year. Its members coordinated the introduction of greener technology, so none of them would bring that technology to market until they were forced to.

But we can't just rely on the market to protect the environment. We still need rules for vehicle emissions that protect our health and climate. And we need regulators who can punish companies that break those rules.

Cooperation for better decision-making

Competition enforcement is a bit of a paradox.

Our job is to help the markets work better, and more freely. But to do that, we have to intervene in the market.

That makes our work very delicate. We shouldn't step in when competition isn't really threatened. We shouldn't block a merger, for example, that would cut costs for consumers.

But it's just as important that we don't look away when we see something happening that does harm competition. Either way, if we get it wrong, it’s consumers who suffer.

So what can we do? Well, we can start by coming back to the motto of this Institute; by making sure our ideas are open to competition.

We can exchange ideas with experts, both in Europe and further afield. And in fact, we do just that all the time.

We do it through organisations like the International Competition Network, which brings together more than 100 authorities – including the Federal Trade Commission and the Department of Justice. That Network helps us discuss some of the trickiest issues in competition enforcement. And it helps reach common ground – as we did in 2014, for example, when we agreed recommended practices on predatory pricing.

We also exchange ideas about cases. Since the start of last year, we’ve worked with the US authorities on more than twenty different mergers. Like the merger between AB InBev and SABMiller, the world's two largest brewers. Or ChemChina’s takeover of Syngenta. We’ve discussed things like how those mergers might harm consumers, and what could be done to restore competition. And that has helped us to protect consumers better.

Preparing for the future

Being open to new ideas is especially important right now. Because our markets are going through enormous changes.

Some of those changes are about technology. Algorithms are taking over decisions from people – including decisions on the prices companies charge. Big data is helping cut costs and improve services – which could mean companies without that data struggle to compete.

Meanwhile, some markets are showing signs of becoming more concentrated, with fewer, bigger companies – even if, so far, in Europe those signs are limited to a few industries, in certain countries.

So we need to discuss those issues now, while we can still adapt. That's why I am looking to set up a panel of experts from outside the Commission, to advise us on how these changes will affect consumers. And how competition enforcement should respond.

Conclusion

Because even though our world is changing, I think it's clear that competition rules still matter.

For many years to come, competitive markets will still be the best way to meet consumers' needs – low prices, wide choice, and innovative products. And to make sure those markets work well, we'll still need competition rules.

Applying those rules in practice won't get any easier. But we don't have the choice. Competition in the markets is as fundamental to a fair society as competition of ideas is to a free one.

And that's as true today as it has ever been.

Thank you.