

## SPEECH

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## **Introduction**

Director General, ladies and gentlemen.

It is a great pleasure to be able to address you today. I would like to start by thanking Mr Jokinen and his team at the Finnish Competition Authority for co-organising today's event. I think this serves to illustrate the very close and important partnership between national competition authorities and the Commission in promoting reform in this sector.

This conference follows on from two conferences on professional services reform in 2005 under the Luxembourg and UK Presidencies. Our programme today is, however, a bit different in that it focuses on recent economic research in the area of professional services reform. I am sure the programme will make for an extremely interesting day.

I will use the next few minutes to reflect on some of the most significant developments during 2006. But first some thoughts on how the reform process is going more generally.

## **Reform process – general overview**

Let me start by saying that Commissioner Kroes is fully behind the Commission's continuing push for reform in this area. The Commissioner sees this work as very much about promoting consumer welfare and the direct benefits reform could bring to EU citizens by opening up real choice in hitherto very restricted areas.

It is fair to say that to date calls to modernise regulation in the professions have met with a mixed response from Member States and professional bodies. This was certainly a key finding of the Commission's 2005 progress report on Competition in Professional Services and the view of competition authorities who are closer than us to the actual coal face.

But overall I think we have all come a long way since the publication of the Commission's first report in 2004. The strategy of promoting voluntary change, backed up with enforcement action under the EC competition or internal market rules, is certainly delivering and the range of Member States who have work underway to reform this sector is growing.

Much of this progress is down to the excellent work by competition authority colleagues at national level. The European Competition Network recently produced an overview of this work, which is a testament to the significant commitment and creativity of competition authorities in this area.

We are also increasingly seeing reform in the professions featuring in economic policy reports and recommendations from multi-lateral organisations such as the OECD and IMF.

## **Significant developments in the political landscape in 2006**

2006 has been an exciting year.

Member States are starting to see the links between professional services reform and the wider Lisbon goals of making Europe more competitive, as well as the need to deliver better services to consumers.

A growing number of Member States – including Austria, Denmark, Greece, Ireland, Italy, Luxembourg, Poland, Slovenia and Slovakia – have demonstrated a commitment to modernising professional services regulation in National Reform Programmes for implementing the Lisbon Agenda.

In the Czech Republic, the Government has adopted a Decree mandating the competition authority to investigate and address remaining restrictions in the professions.

There was a strong emphasis on the need to increase competition in services – including in professional services - in the 2006 Commission's Lisbon Annual Progress Report presented to and endorsed by the Spring Council. This will be mirrored in the 2007 Annual Progress Report.

This is all helping to embed professional services reform in the Lisbon programme for action - exactly where it should be.

There have been significant developments in the European Parliament's thinking with the adoption of a very positive resolution on professional

services reform on 12 October. The Commissioner is very pleased with the support it gives.

It calls for the removal of advertising, business structure restrictions and unjustified geographic and demographic criteria that limit entry. The Parliament also takes a position against fixed fees, which it recognises can be detrimental to the interests of consumers and quality. In this respect it is also good news that last week in its judgment on the *Macrino* and *Cipolla* cases, the ECJ supports the Commission's view that a State restricts the freedom to provide services (Article 49 EC Treaty) where it fixes fees for legal services.

We will respond to the Parliament's call for more economic evidence to underpin the case for reform. However, could I make it clear that the Commission is not proposing harmonisation of regulatory standards. Member States must remain free to determine regulatory solutions based on national needs and circumstances. Better regulation is the objective, not less or harmonised regulation.

That is why we favour more comparative benchmarking work, which can both draw out best practice and evaluate the impact of reforms already undertaken. This is a practical way to predict what might happen if other Member States implement similar reforms. The independent conveyancing study we have commissioned is one example of this.

National authorities and the Commission will also be co-operating in evaluating the impact of reforms already undertaken in their respective

countries. Also, there is the interesting work that is being undertaken by independent academics in this sector.

### **Key highlights of reforms undertaken during 2006**

That brings me on to some of the excellent work that has been taking place in Member States during 2006.

The recent package of deregulation measures in Italy in professional services is a very positive development. The elimination of certain serious restrictions to competition in a range of professions, including State imposed minimum tariffs and advertising and business structure restrictions is a positive response to calls to reform professional services.

It is a good example of a Member State taking ownership of the Lisbon Agenda. Consumer groups have applauded the measures which Mr Prodi, called "a new beginning for the country and a change that will improve the lives of millions of Italians".

I understand that the reform process in Italy will continue and understand that further reform work is currently being undertaken by the national authorities.

Then there is the recent biennial report by the German "Monopolkommission" (Monopoly Commission) published on 5 July 2006. It is a thorough and convincing piece of work and illustrates well the case for further reform of professional services in Germany.

It calls for the abolition of State fixed minimum fees for in-court work by lawyers and fixed minimum and maximum fees for architects and engineers. For lawyers it also recommends the removal of profession specific advertising restrictions and the relaxation of business structure restrictions. And for pharmacists, it argues for relaxing business ownership rules and promoting greater entry to the profession.

Then there is the good news from Spain. The Government has recently expressed its opposition to plans by certain professional associations' to recommend fee tariffs to their members. It is expected that the Government will propose amending the State legislation which currently enables these professional associations to recommend fees and that this policy will be extended to other professions too.

Finally, the UK Government is pressing ahead with the strong recommendations made by Sir David Clementi to develop better regulation in the legal services area, which is more adapted to the needs of consumers and users in the 21<sup>st</sup> Century. Legislation is now before Parliament to implement these recommendations.

## **Conclusion**

This is just a snap shot of what has been happening. What I take from this is that the reform of professional services is underway and picking up pace.

Looking ahead, there is much still to be done and the Commission needs to continue to work closely with all concerned. Our mission for 2007 is to work to bring more economic evidence to the table. We will also be considering the findings of the conveyancing study and what this tells us about the functioning of this market in Europe especially in terms of delivering good value services to consumers. The emerging findings are showing some stark differences in pricing of conveyancing services between Member States and illustrate vividly the real effect of highly restrictive professional regulation on EU citizens. The Commission will not hesitate to take appropriate measures to push for a better deal for consumers if necessary.

Thank you for your attention and I hope you enjoy the discussions today.