

**Bucharest, 21 October 2011**

Ladies and Gentlemen,

I would like to thank Mr. Chiritoiu for inviting me here today and to congratulate the Romanian Competition Council for organising this conference. I am delighted to be in Bucharest again and to see the effects of the transformation that your country has undergone these last few years.

When I first came here, your country was preparing for EU accession, with all the hopes and apprehension that it entailed. You were keen on joining the EU, but knew of the efforts you would have to make.

Now, five years on, you are a member with full rights and obligations.

Unfortunately, the efforts aren't over. These are difficult times for the entire European family and the crisis has not spared Romania. But we will succeed.

What matters now, for all of us in Europe, is to return to durable growth.

Like all the other Member States, Romania must create the right conditions for its economy to pick up quickly and steadily for the long run.

One of these conditions is to foster healthy competition across all sectors of the economy.

This is the rationale of my choice of topics for my presentation today:

- the importance of competition for growth;
- the cooperation with our Romanian counterparts in the context of the European Competition Network; and
- the need to preserve a level-playing field in sensitive sectors. On this last point I would like to share with you some considerations on State aid-related matters.

### **The importance of competition for returning to growth**

Allow me to start with a frank plea in favour of healthy competition.

The facts are all here: Europe badly needs to boost growth. We need our people to be equipped with the right skills and knowledge to make it happen. And growth will only come if our companies can innovate, become more efficient and develop a stronger entrepreneurial initiative.

Competition is the main ingredient of this recipe. Because healthy competition stimulates entrepreneurship, improves efficiency and creates the best conditions for innovation. In turn, this helps create jobs, triggers more competitive prices and gives a wider choice of products and services to consumers.

This is why competition policy is key to any strategy designed to overcome the crisis. And the recipe applies to Romania too.

After a period of record growth immediately after accession, the Romanian economy went through a downturn in 2009-2010 and a relative stabilisation this year. It seems that the growth forecasts are quite positive for 2012. It will thus be very important to ensure that these forecasts turn into reality and that the predicted growth materialises.

Romania has strived hard to return to a market economy in the last twenty years.

When you joined the EU, your companies joined an internal market full of opportunities. In building growth, these companies should be allowed to take full advantage of such prospects.

This is where competition authorities come into play. Competition law enforcers – such as the Commission and the Romanian Competition Council – make sure that companies throughout Europe play fair and benefit from the same opportunities offered by the internal market.

Especially in this difficult economic context, we cannot afford that companies form cartels to keep prices artificially high, stifle innovation, and ultimately harm consumers. Just over the last two weeks, the Commission has sanctioned a price-fixing cartel on bananas that spread over eight countries and another cartel of producers of cathode ray tubes glass used in televisions and computer screens that lasted for about five years.

In the same way, we cannot allow mergers that would significantly reduce competition on a given market, we cannot tolerate that firms abuse their market power to eliminate more efficient competitors, and we cannot close our eyes on distortive State aid.

Of course, these rules impose a degree of discipline on businesses which sometimes perceive them as an obstacle to their development.

This perception is misguided. The belief that by protecting our businesses we can make them more competitive is simply wrong and ultimately dangerous for all our economies.

It is precisely the discipline imposed by competition rules that pushes companies to increase their competitiveness.

And by imposing this discipline at home, in national markets or in the internal market, we ensure that our firms are better equipped to take on their competitors on world markets.

It is thus important that Romanian authorities continue to foster a competition culture in the domestic market. A healthy competition environment is the best business card you can use to attract foreign investment where it is most needed, in the key sectors of the economy.

### **Cooperation with Romanian counterparts within the ECN**

I am happy to note that we have an excellent relationship with the Romanian Competition Council, both bilaterally and within the framework of the European Competition Network, in which the Competition Council is an active member.

I would like to take this opportunity to commend the Competition Council for its commitment to the Network and also for its work on the recent revision of the Romanian Competition Law. I regard this revision as an illustration of your efforts to fully align your competition regime to the EU enforcement system.

The Competition Council now has many identical or very similar tools to the other competition authorities in Europe. This increases procedural convergence and cooperation between authorities, which is beneficial for enforcers and companies alike.

In particular, I must congratulate you for your new leniency programme, largely convergent with the ECN Model Programme. This is an important step for the effectiveness of your enforcement.

Leniency programmes are essential tools in our fight against cartels. They allow us to uncover hidden infringements of competition law and thus to better protect consumers against them.

Our common front against anticompetitive practices is key in terms of deterrence across Europe. Let me recall that the Commission and National Competition Authorities in the Network apply the same law - EU competition law - in cases that have a potential impact on trade within the EU.

This is why it is crucial that competition authorities in the Member States are well equipped to take on their challenges. Adequate funding, staffing and training are indispensable, as the European Competition Network stated in the Resolution it adopted last year.

The Competition Council is a young, dynamic and modern agency with a good track record. Apart from your national cases, in 2010 you finalised the first competition case affecting trade between Member States brought under EU law, a cartel between companies managing private pension funds.

Also last year, you imposed the largest fine to date in Romania in a case involving anti-competitive agreements entered into by the body of expert accountants to the detriment of their customers.

As to this year, I understand that you are investigating more cases under Articles 101 and 102, and I know that you are in constant dialogue with my services to ensure a consistent and convergent application of the EU competition rules.

This is a promising start and I hope that effective enforcement will remain a priority in the coming years, in particular in respect of the most harmful type of infringement – cartels.

I also believe that the work you are doing on monitoring a number of sectors close to consumers – such as the inquiry into milk marketing or into the distribution of energy – will contribute to the overall competitiveness of your economy.

The challenge for the future will of course be for the Competition Council to be actively involved in all the regulatory processes that are important to the Romanian economy, and to prioritise its intervention where it is most needed, especially in sensitive sectors.

### **Preserving a level-playing field in sensitive sectors - State aid considerations**

Ladies and Gentlemen:

When the sensitive sectors of the economy are mentioned, the role of State aid – and of State aid control – immediately spring to mind.

Governments are often called to give aid to such sectors and the most obvious example is that of the exceptional amounts that have been granted to support the ailing financial sector across Europe during the last few years.

Granting State aid is of course possible under EU law, but it has to be duly notified in advance to the Commission, in full transparency. There is no alternative to that. When the aid is duly notified, the Commission can then check if it is compatible with the EU State aid rules and that it does not distort competition in the Internal Market.

It is important for authorities across Europe to understand that protecting national champions will not make these companies or the economy any stronger, nor will it help the integration into the European internal market. This is why the Commission insists that aid comes with strict conditions attached, such as restructuring obligations, for example.

We are presently discussing with our Romanian counterparts some 12 State aid cases, often in sensitive sectors.

There are also recent examples of aid that the Commission has approved for Romanian companies such as the *Romanian green certificates renewable energy support scheme* of July 2011 or the *Film support scheme* of 2010, to name only two.

Romania has already produced huge efforts to restructure its sensitive sectors – as shown for instance by the privatisation of the steel industry and many more efforts will have to be made. In this context, we are in ongoing discussions with the Romanian authorities in the complex case of the petrochemical producer *Oltchim*.

In May this year, the Romanian authorities have also pre-notified to us a plan for the closure of anticompetitive coal mines.

I fully understand the sensitivity of this sector, given in particular its regional concentration and the number of people it employs. We are currently examining all the information provided by our counterparts in view of a possible formal notification.

Apart from heavy industry, other sectors can be deemed vital for the economy.

Air transport is one example. Its potential for growth is high, but in many Member States we have a number of non-profitable regional airports benefiting from taxpayer's money.

The duplication of non-profitable airports is not necessary. It doesn't really help local development or accessibility and in reality it amounts to a waste of public money.

In addition to aid to airports, aid granted to low-cost air carriers can also raise competition concerns. Under certain conditions, this support might benefit the consumers, but we cannot ignore the distortions of competition that can occur vis-à-vis other airlines.

The Commission and the Romanian authorities will continue their discussions on these issues. I am confident that you will put in place a system that can preserve fair competition in air transport, a sector in which Romania has a long tradition of excellence.

Ladies and Gentlemen,

We all know that transition processes take time, but new and indirect subsidies are not the solution for coming out of difficult conditions in sensitive sectors. Not in Romania, and not in the rest of Europe.

The Commission is always vigilant with indirect forms of state support, including when aid is given in the form of reduced electricity tariffs for specific industrial clients. Such forms of aid practically reduce the production costs of the beneficiaries, and are therefore particularly harmful for their competitors.

We took a firm position in the Italian cases concerning *ALCOA*, *Portovesme* and *Terni*, and in the recent *Aluminium of Greece* case.

As many of you are informed, we are currently looking into potential aid to the Romanian steel and aluminium producers ArcelorMittal and ALRO, through reduced electricity tariffs offered by Hidroelectrica. More recently, we also started looking into potential state aid issues in Hidroelectrica's contracts with some electricity retailers and other industrial clients.

Reduced electricity tariffs hamper the development of genuinely liberalised electricity markets. When electricity prices are not set freely on the market, the whole functioning of the electricity market is distorted, and electricity prices for the rest of the consumers become higher. Industrial consumers from other sectors of the economy are also affected, having to bear the additional costs caused by the distortion in the electricity prices.

The Commission will therefore ensure that the State aid discipline is preserved in these sensitive sectors as well as in other industries.

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Ladies and Gentlemen,

Less than five years have passed since Romania joined the EU, but your country has become quickly accustomed to the rights and obligations that EU membership entails.

The Commission will continue to support your efforts to restructure and reform your economy to ensure a swift return to durable growth.

Romania has a huge potential in this respect, with a market of over 21 million consumers, an array of natural resources, and a skilled work force. I encourage you to unleash this competitive potential through creativity and entrepreneurship.

I landed yesterday at the Henri Coanda airport, which I was told is named after one of your greatest inventors and entrepreneurs of all times. He was a pioneer of aeronautical engineering and one of the fathers of modern aviation.

I look forward to hearing of more Romanian success stories like his in the future and I am sure that you have what it takes to return to long-term prosperity.

Thank you.

Joaquín Almunia Vice President of the European Commission