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58 Ashcroft Road, Cirencester GL7 1QX, UK
P O Box 323, Eliot ME 03903-0323, USA

www.fairfordpress.com

Tel & Fax (44) (0) 1451 861 464
Tel & Fax (1) (207) 439 5932

Email: anharr@cybertours.com

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Fuel Prices and Competition

Faced with outrageous fuel prices and with the fury of an indignant electorate, politicians are apt to react in the manner of King Lear: "I will do such things – what they are yet I know not". The most immediate target is the oil companies: a good scapegoat for governments which impose swingeing taxes and a convenient substitute for the oil producers who run a massive but untouchable cartel. We commented last month on the measures proposed by the Commission to tackle the oil companies, but left the story unfinished, as the Commissioner was just about to convene a meeting of Member States' officials responsible for the enforcement of anti-trust laws. The meeting took place at the end of September; and the layman can be forgiven for thinking that the mountain had brought forth a mouse.

"The aim of the meeting," according to the Commission's subsequent press release, "was to identify and discuss how competition policy could render the motor fuel sector more competitive and to exchange experiences in order to make the enforcement of antitrust rules at national and Community level more effective. The meeting showed that the national competition authorities were following developments in the motor fuel sector closely. National authorities had intervened whenever they detected anti-competitive conduct in the market. Examples of successful interventions were the Italian and Swedish competition authorities' recent findings of cartels. The detected cartels have been focusing on fixing, directly or indirectly, prices at retail or wholesale level. The participating companies have used different methods to attain the same objective, that is, to control the dealers' margins. Under competition law, retailers must be free to set prices. Where they are not free (as for example in the Italian case), price competition among the vertically integrated companies suffers."

This is rather small beer. However, the Commission and the national competition authorities agreed that new entrants and independents (non-integrated companies) were essential to maintain and improve the competitive pressure in the European markets. The experience of the Member States was that markets in which independent non-integrated operators with a countervailing buying power were present showed a more competitive performance than markets where only integrated oil companies were operating. In this respect, supermarkets had proved to be successful entrants in the United Kingdom and France at the retail level. The Commission and Member States concluded that markets must be kept open for independents and new entrants.

It was too much to hope that anything more dynamic would emerge from a meeting of this sort; but there is some possibility that marginal improvements in fuel prices may eventually result from action taken as a result of it. ■