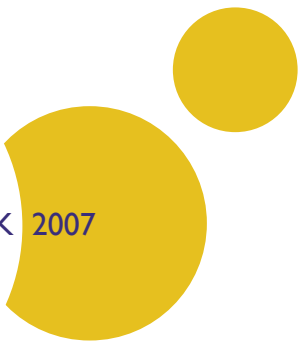




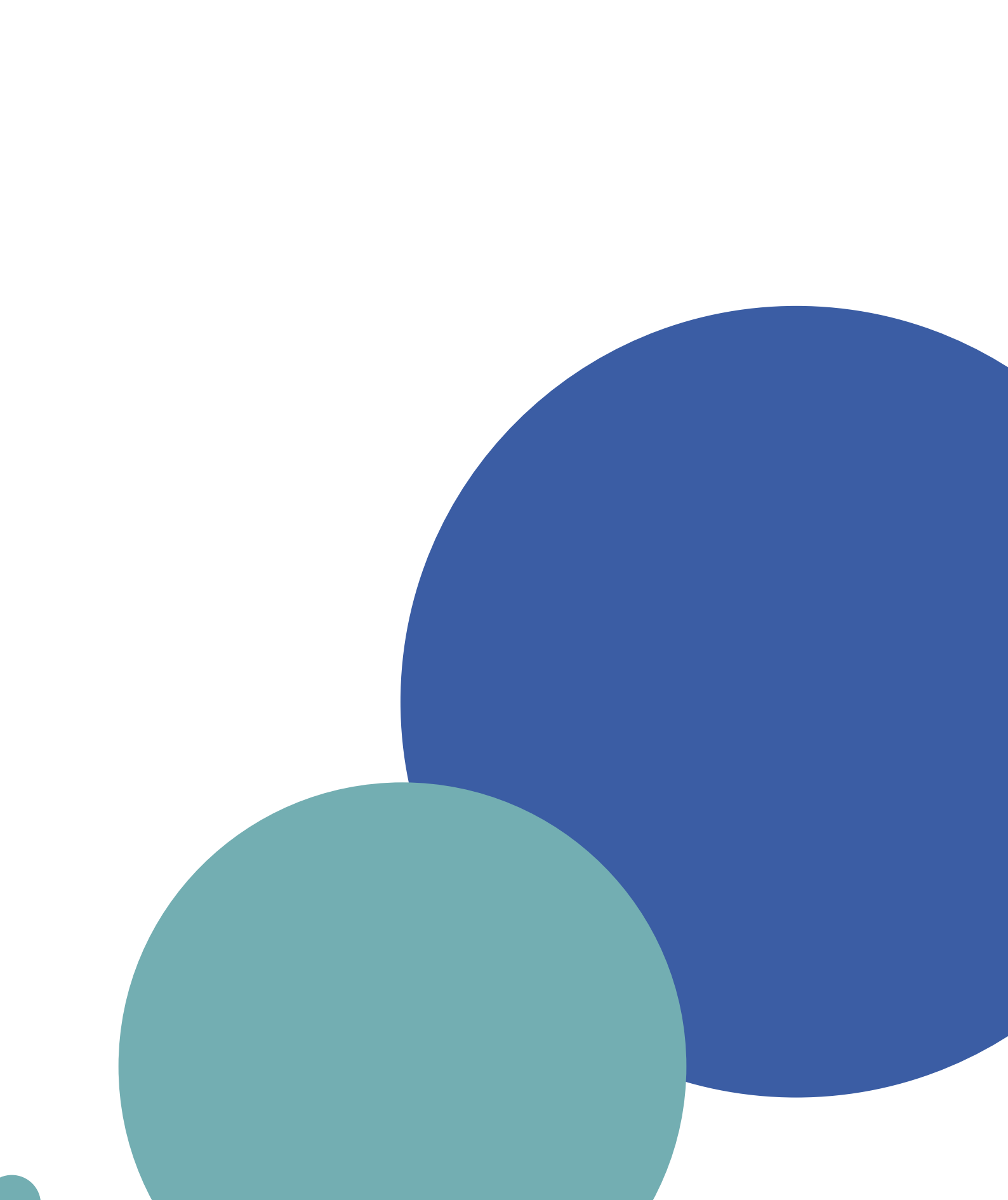
FCA YEARBOOK 2007







FCA YEARBOOK 2007





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Within the field of cartels and vertical restraints, six Market Court proposals – including the raw wood cartel proposal – were made last year, in which the FCA demanded the imposition of a total of €55.5 billion in competition infringement fines. In monopoly control, the FCA focused on the investigation of several serious competition restraints in the telecoms sector. The first commitment decision under Article 13 of the Competition Act was made in a case regarding the alleged abuse of dominance involving discounts in the cement business.

The picture of the FCA's activities is not accurate, however, unless the tenacious endeavours of the FCA's Advocacy Unit are brought out, as a result of which market-based steering mechanisms in the provision of welfare services have gained prominence. Other parties have obviously had an impact on the development. Good examples of fruitful cooperation include the reform of the Waste Act and the memorandums on the development of private service production born in ministerial cooperation.

Increasing the effectiveness of the FCA's operations requires an even tighter concentration on major competition restraints in the future. The FCA's resources simply do not suffice to the investigation of dozens of new competition restraints at the same time that there are cases like the timber cartel, asphalt cartel or the Fortum/E.ON Finland concentration under trial at the Market Court or the Supreme Administrative Court.

The necessary adjustments in focus are to be seen in the FCA's upcoming strategies. The main objectives are the increase of competition neutrality of public enterprises, the removal of competition restraints reinforcing harmful oligopolies, and competition advocacy in the markets which are traditionally heavily regulated and branded by entry barriers.

Matti Vanhanen's second government programme calls for the investigation of the needs to reform the Competition Act. Some of these are related to the development of the Community Law. For example, it should be considered whether the threshold for intervention in merger control should be uniform with the test used in the EC Merger Regulation. From a practical viewpoint, the matter is relatively far-reaching – the adoption of the test of the Merger Regulation into the national law would mean at least a partial lowering of the threshold for intervention. In the domestic market characterised by oligopolies the thought appears enticing.

The amnesty system and the provisions on limitation also require clarification, and the determination of the level of fines perhaps some kind of policy definitions to ensure a uniform European system of fines.

However, the main question in the reform agenda seems to be related to the competition restraints and distortions caused by public enterprises primarily in the service sector which cannot be caught by the present provisions. It is a question of filling the void between the general competition restraints prohibition of Article 4 and the prohibition on the abuse of dominance contained in Article 6, i.e. devising a new intervention mechanism to improve the conditions in the service sector.

Challenges seem to abound for the FCA and its staff. The preparation of new legislation is about to commence, and the government programme sets a clear agenda on competition policy and the enforcement of the Competition Act in the development of the society. The FCA's internal working methods will also be revised.

May 2007

Juhani Jokinen



Photo: Nina Kaverinen

MISSION STATEMENT AND OBJECTIVES

The FCA's objective is to protect sound and effective economic competition and to increase economic efficiency in both private and public-sector activity. The FCA's operations aim at increasing welfare in the society.

The FCA intervenes with competition restraints which violate the Finnish and EU competition rules, and generally contributes to workable competition. Additionally, the FCA monitors mergers and acquisitions, and tends to the international affairs which fall under its jurisdiction. Sound and effective

competition and equal competitive conditions are secured by means of competition advocacy and competition control.

Customers and consumers benefit from workable markets. Competition increases choice, creates innovations, improves the quality of products and decreases the prices thereof. Workable markets also promote business.

Competition policy is a major part of the overall strategy of economic policy, and the FCA has a socially important role in the implementation thereof.



MAJOR OBJECTIVES AS REGARDS EFFICIENT COMPETITION POLICY AND THE FCA'S ACTIVITIES INCLUDE

- concentration on the investigation of major competition restraints from the viewpoint of the economy as well as institutional competition impediments and restraints
- competition control and competition advocacy related to concentrated or otherwise challenging sectors; activities are particularly focused on the service sectors and so-called infrastructure industries
- promotion and follow-up of marketization of public service production and the reinforcement of the competition viewpoint in social decision-making
- increasing internal cooperation in public administration and reinforcing the role of competition policy in the preparation of legislative reforms; activities are particularly focused on difficult industries as regards regulation, in particular
- increasing pre-emptive and own-initiative activities in competition advocacy and competition control
- efficient use of the international cooperation among competition authorities
- promotion of research evaluating competition policy and the impacts thereof; the FCA strengthens its participation in the scientific discussion relating to its activities and attempts to create new appropriate avenues for such discussion
- activating and diversifying the expert communications related to competition issues and increasing the transparency of the FCA's decisions
- ensuring sufficient personnel resources and personnel expertise; the FCA's objective is to be the leading Finnish expert in issues relating to competition policy, the markets and workable competition
- ensuring the efficiency of the FCA's organisation, increasing productivity and continually developing activities.

General economic development

The growth of the world economy is generally strong, stable and extensive. Protectionism and the strengthening of regulation and the world market prices of crude oil and other major raw materials may harm the economic development in the upcoming years, however. Also the instability of the development of some major economies and different types of political and social crises may weaken economic activity or even terminate growth altogether.

Within the EU region, economic growth is fastest in the new member states. The average economic growth of the old member states and the euro region in particular is slow but stable. The public finance shows a deficit in many member states, and unemployment is still considerable.

In Finland, the growth of the economy is much stronger than in the euro region in general but it is expected to slow down in the next few years. The development of the economy in Finland is threatened by the same problems as the ones faced by the old EU states: the population is growing older and the demand for public welfare services is growing steadily compared to the previous state of affairs.

The Finnish economy divides more and more sharply into the open sector production operating in the sphere of international competition and the closed production sector, which is protected from competition. The open sector includes mainly the industry, and the closed sector most service sectors, agriculture and the public sector.

The productivity of the closed sector of the economy is primarily low in Finland compared to other countries on the same level of development. The service sector is underdeveloped compared to other industrial states and a major reason why the Finnish price level is still high compared to the EU state average.

The amount of workforce will start to decline in the next few years, and the lack of workforce which is felt even now will get worse. The inflexibilities of the labour market and the negative incentives of the social security will slow down the transfer of the workforce into productive and profitable sectors. Despite the lack of workforce, the unemployment rate will continue to decrease slowly.

The availability and costs of energy may seriously limit the economy's potential for growth and weaken the buying power of the population. Oil dependency does not greatly decrease, and the restrictions of the greenhouse gas emissions will considerably raise the price of electricity and heat.

Structural changes in the economy

The globalisation trend of the economy has continued and strengthened in the recent years, and the ownership basis of the companies active in Finland has become more international. The international operations of the Finnish companies have also expanded and diversified.

In the future, the characteristics of the information economy will continue to strengthen, and the significance of in-



novativeness as a competition factor will grow. Economic activity is increasingly based on the creation and use of new knowledge. Economic progress is promoted by scientific research and technological improvements, investments into education and research, active use of new methods in production and openness towards different social, economic and cultural innovations.

The knowledge-based industries continue to grow both absolutely and relatively, and this growth may be seen in the diversification of Finnish exports. The advanced Finnish innovation system is further developed to support commercial implementation and the share of R&D expenses of the GDP is increased. ICT technology is put to full use in developing private and public sector activities.

The importance of alliances and clusters to companies also increases, and the division of labour between competition and cooperation in the economy will become more complex. The companies form a kind of network of cooperation relationships, which is characterised by long-time cooperation based on partnerships being conducted with competitors as well.

The networking of companies into alliances offering a larger array of products or developing new products or other innovations, in which other kinds of organisations participate, will continue in the future. Alliances will become an even more important route for the internationalisation of small and medium-sized companies.

Other social change factors

An increasing amount of interest and expectations focus on competition and competition policy in the society, and attempts are made to reinforce competition in the problematic sectors of the economy by various means. The amount and importance of competition expertise in research, the economy and case-law will increase.

National competition legislation and the application procedures of the EU competition rules will be developed. The legal certainty relating to public procurements will also be reinforced and the implementation system of public support will be reformed. The challenges include investigating the applicability of competition rules to business conducted by public enterprises.

“The challenges include investigating the applicability of competition rules to business conducted by public enterprises.”



Youthful and dynamic atmosphere

In its work, the FCA's staff is able to familiarize themselves diversely with the Finnish business life and the operations of the public sector. The work also offers a vantage point for following international business.

As a result of the nature of the tasks, the atmosphere is dynamic. The main interest groups include companies and their advisors, political decision-makers, other civil servants in ministries and government bodies, representatives of various industrial organisations, researchers at universities, institutes of higher learning and research institutes, and representatives of the media. The international cooperation between the competition authorities is also active.

The main fields of know-how that the staff is expected to master are competition legislation, knowledge of business and the society and ability to do economic analysis. In addition to these, investigation methods and administrative, publicity and procedural legislation also have to be governed. Maintaining industrial expertise also poses a continuous challenge for the researchers.

The majority of the researchers have a degree from high-

er education from within the field of law or economic science. Several are post-graduates or have more than one degree. Other than research personnel typically have a good basic education; the share of higher education degrees among the whole staff was 76.5 per cent at the end of 2006.

The average age of personnel is roughly 42 years, which is lower than in the state administration in general. There are roughly as many 30-year-olds and 55-year-olds, approximately 15 of all personnel.

Versatile and challenging tasks

The FCA's organisation has, for several years, been based on the FCA's main functions, which include monopoly control, cartel control, advocacy and international affairs. So-called support services are provided by communications and personnel development, and administration. The objective of the organisation model has been to support the application of the Competition Act effective from 2004.

- The Monopolies Unit is responsible for cases concerning the abuse of dominant position and merger control.
- The Cartels Unit investigates cartels and other concerted arrangements between competitors, and distribution channel restrictions.
- It is the aim of the Advocacy Unit to influence, proactively, the competition restraints caused by the business and the government.
- The International Affairs Unit is responsible for the coordination of EU affairs, OECD, Nordic and other international cooperation and cooperation with neighbouring countries.

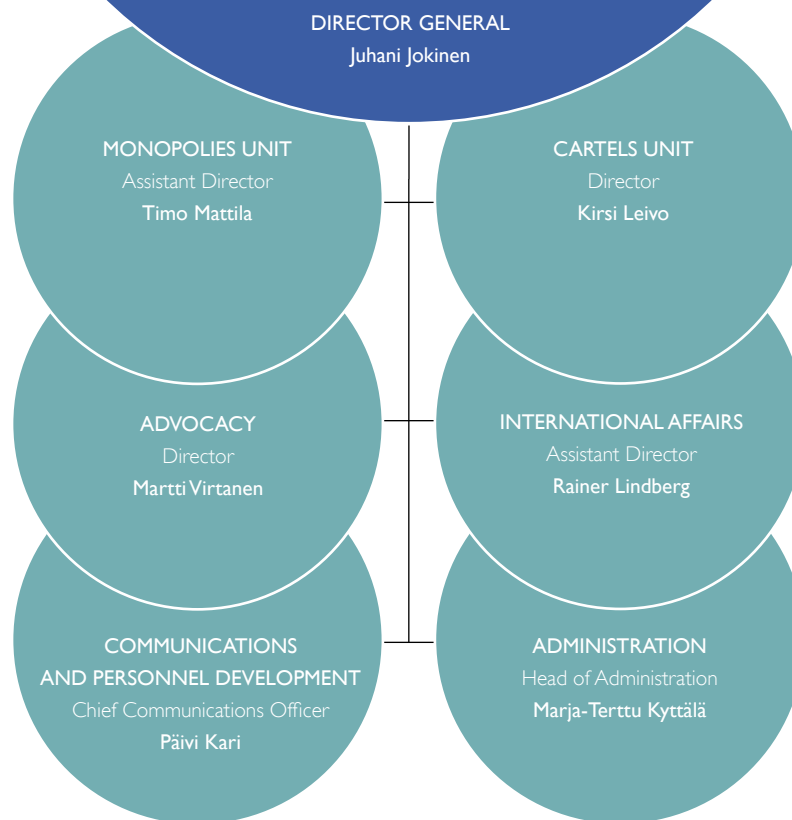
The FCA's Director L.L.M. Kirsi Leivo returned from her leave of absence in January 2007 and resumed her work as the Head of the Cartels Unit. Leivo's Deputy, Assistant Director Rainer Lindberg resumed his previous post as the Head of the International Affairs Unit.



From the staff: "The FCA is more like an enterprise than an authority but more like an authority than an enterprise; surely not a typical state office"

www.valtiolle.fi/valtiolle/en/index.jsp

ORGANISATION FROM 1 FEBRUARY 2007



Since 2005, the FCA has had 70 permanent posts, of which four fifths are directly located in the main functions. The rest of the resources – roughly 13 person-years – are needed to manage joint affairs such as personnel, finances, IT, information services and communications.

The total loss of personnel in 2006 was fairly high (23.2 per cent) – mainly due to maternal and parental leaves and focused mostly on the main functions where the resources are scarce as it is. To attend to the locum posts, 12 new temporary research officers were employed during the year.

Despite the turnover, the amount of person-years realised (69.2) increased by four person-years compared to the previous year. The increase showed in the expansion of the main functions' resources from 52 to 56 person-years.

In addition to permanent and temporary staff, the FCA has for many years employed persons undergoing non-military service and secretary trainees as additional resources mainly in the support tasks. Additionally, roughly ten university trainees work at the office each summer. Including all these, the number of personnel rose to 76.8 person-years last year.

The civil servants handling competition issues at the state

provincial offices assist the FCA in competition advocacy and the investigation of competition restraints. However, few person-years employed in competition issues have gathered from the provincial state offices; in 2006, there were four altogether. The number of competition restraints cases (51) handled at the offices was still rather large.

Know-how and job satisfaction

In the spring of 2006, the FCA concluded a cooperation agreement with the Helsinki Center for Economic Research, on the basis of which the FCA's researchers were able to participate in competition-related training arranged by the Center. The FCA's economists have also set up a study circle which meets up regularly to discuss issues related to competition economics, for example information exchange in the oligopoly market, tacit collusion and the concepts of econometrics and game theory.

The teams led by the Heads of Research monitor their respective industries, develop the functions and procure necessary further training. The researchers regularly participate in

seminars and expert meetings of their field both in Finland and abroad. In 2006, there were over 30 domestic training days. The EU Commission's Directorate General for Competition has also reserved the national authorities the right to send researchers twice a year to a month-long learning-on-the-job visit to the Commission. During this training, the researchers may acquaint themselves with the handling of different types of competition restraints or industries at the Commission.

The staff's job satisfaction is regularly monitored by means of a VMBaro staff survey system and surveys made by the occupational health care unit. In the 2006 surveys, the main development needs focused on the development of internal communications and the management function and the possibility to increase staff participation in various projects. A two-day training session was arranged for the FCA steering group and the Heads of Research on managerial communica-

tions. A project to develop internal communications was also commenced at the FCA based on the KAIKU programme of the State Treasury.

In the spring of 2006, the FCA introduced a new competence-based payment system where a person's pay is assessed according to how demanding his or her tasks are and how well s/he has achieved the agreed results. It is hoped that the new system will encourage the staff to continuously develop their expertise and performance. Annual development discussions are connected to the system, and instructions for the conducting thereof were drawn up jointly with the staff with the aim of making the discussions more uniform and improving their quality in other ways, too. In addition to the actual development discussions, two to three discussions of a specified form are annually conducted with the staff, and the objective of these discussions is to support the staff in the achievement of the objectives agreed on at the start of the year.

NUMBER OF STAFF

	2004	2005	2006
Number of offices 1.1.	67	67	70
- new offices	-	3	-
Number of offices 31.12.	67	70	70
Person-years ¹			
- realised	66.4	64.8	69.2
Person-years ²			
-realised	73	72	76.8
Total loss of personnel, %	14.7	9.0	23.2
Entry turnover, %	8.8	11.9	23.2

¹⁾ employees in office and temporary staff

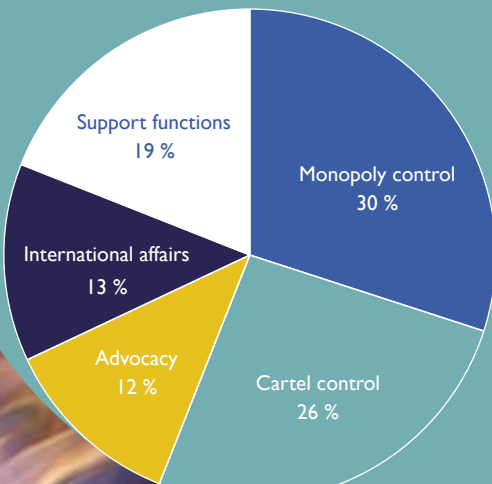
²⁾ incl. trainees and persons undergoing non-military service

PERSONNEL STATISTICS

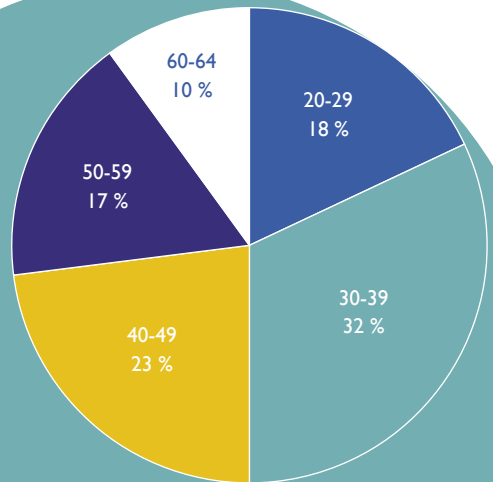
	2004	2005	2006
Average age, years	42.3	41.5	42.4
Researcher training and the share of academic degrees, %	80.6	78.3	76.5
Temporary staff, %	7.5	10.1	20.6
Part-time staff, %	3.0	2.9	5.8
Sickness absence, days / person-year	6.7	9.2	9.2
Costs of occupational health care, EUR / person-year	499	442	496
Costs of promoting physical fitness and job satisfaction, EUR / person-year	268	473	331
Working days spent on training / person-year	12.0	9.8	9.0
Training costs, EUR / person-year ¹⁾	1 769	1 519	1 717

¹⁾ excluding labour costs

DIVISION OF PERSON-YEARS PER FUNCTION 2006



AGE DIVISION OF PERSONNEL, 31 DECEMBER 2006



Record amount of input

In 2006, the FCA made six proposals on the imposition of infringement fines to the Market Court within the field of cartels and vertical restraints. The number of proposals is as large as the two previous years put together. The number of other closed cases and opinions was also exceptionally high last year.

The FCA's resources mainly focused on the investigation of competition restraints and institutional competition impediments essential for the economy. Cases of no significance to the FCA were not investigated at all, and cases of minor importance were quickly processed with view to the obligations imposed by the administrative legislation.



In 2006, the FCA handled more than 700 domestic cases including mergers and opinions and more than 400 EU issues. The total of new domestic cases opened was 506 and total of closed cases 534. At the end of the year, there were 173 unclosed domestic cases, i.e. one fifth less than the previous year.

In addition to the investigations based on complaints, several new investigations were commenced on the FCA's own initiative, mainly within the field of cartel control. Additionally, a project involving the construction sector was launched as well as several related case investigations. Market Court proceedings on six previously initiated infringement fine proposals and appeal processes related to the FCA's decisions also demanded a large number of resources.

Roughly 50 requests for access to the file in cartel cases were lodged with the FCA in 2006. The requests concerned several hundreds of documents, and business secrets were screened out from tens of thousands of pages of documents.

Much work which does not show in the statistics is also conducted at the FCA. Competition advocacy in particular involves such work, as the focus point of the activities is in working group and interest group cooperation. For example last year, the FCA had a representation in 30 domestic and more than 35 international working groups. The FCA experts also held roughly 50 lectures in various events during the year.

The FCA's expenses (€5.17 million) rose by 10 per cent compared to the previous year. The main reason was the increase in the number of person-years and the adoption of a new pay system.



DOMESTIC COMPETITION RESTRAINTS CASES, NO

	2004	2005	2006
Opened	527	414	444
Closed cases			
- decisions	46	31	46
- exemptions and negative clearances	18	0	0
- cases solved by letter	283	230	218
- opinions and initiatives	68	55	83
- cases closed in other ways	124	112	129
Closed cases, total	539	428	476
Unsolved cases, end of year	231	217	173

MERGER CASES, NO

	2004	2005	2006
Opened	90	55	62
Closed			
- merger decisions	63	33	39
- other closed cases	27	18	19
Closed, total	90	51	58

MEDIAN PROCESSING TIMES

	2004	2005	2006
- decisions, days	449	577	826
- cases solved by letter, days	25	32	30
- merger decisions stage I, days	18	20	15

PROPOSALS FOR COMPETITION INFRINGEMENT FINES PENDING AT THE MARKET COURT, 1 MAY 2007

Date of the proposal	Parties whom the proposals concern and the grounds for making them	Size of the proposed infringement fines
31.3.2004	Interasfaltti Oy / NCC Roads Oy, Lemminkäinen Oy, Rudus Asfaltti Oy, Skanska Asfaltti Oy, SA-Capital Oy (Savatie Oy), Super Asfaltti Oy, Valtatie Oy, Asfalttiliitto ry; forbidden price and tendering cooperation, market sharing and exchange of information in the asphalt market	€97 000 000 (total)
21.10.2004	Lännen Puhelin Oy, abuse of dominant position in the broadband market	€1 000 000
9.2.2005	Kesko Oyj and K-ruokakauppiasyhdistys ry; forbidden price-cooperation in the K-Market, K-Lähikauppa and K-Extra chains	€110 000 (total)
14.4.2005	Some taxi-drivers from Enontekiö; tendering cartel in the tender on the transports of schoolchildren arranged by the municipality	€7 000 (total)
17.5.2005	Suomen Numeropalvelu Oy (SNOY); abuse of dominant position in the directory services	€150 000
2.12.2005	Greendoor Oy; forbidden RPM in the outdoor equipment market	€20 000
17.3.2006	Oy Tecalemit Ab; forbidden RPM in the service authorization contract of machinery and equipment	€120 000
4.5.2006	Suomen Kodinkonehuoltojen Liitto ry and 19 repair shops in its executive board in 1997–2003; forbidden price-cooperation	€276 240 (total)
11.5.2006	Nikon Nordic AB; prevention of parallel imports in the digital camera market	€300 000
6.7.2006	HL Group Oy, Koivunen Oy, Oy Kaha Ab, Örum Oy Ab; forbidden cooperation in the wholesale trade of automobile spare parts	€3 765 000 (total)
6.11.2006	Lastentarvike Oy; conduct violating the competition rules in the retail sales of prams and pushchairs	€100 000
21.12.2006	Metsäliitto Osuuskunta and Stora Enso Oy; forbidden price-cooperation and exchange of information in the purchase of raw wood	€51 000 000 (total)

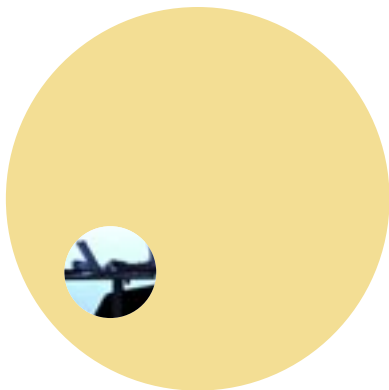


Service ability and quality

The FCA's objective is to retain reasonable case processing times from the point of view of the parties' legal certainty. The processing times of merger cases and cases of minor importance have become shorter in recent years. The average processing time of merger cases solved during the so-called first stage was only 15 days and the average processing time of the so-called letter decisions 30 days.

The median processing time of the actual decisions in 2006 was clearly longer than before (826 days). This was explained by the large and significant cases handled at the FCA and the fact that a large number of cases that had been pending for a long time reached decision in 2006.

A partial reason for the lengthening of the processing times was the exceptionally large personnel turnover due to parental leave and other leaves of absence, which has affected the researcher resources above all. The change of the case-handler always prolongs the handling, and the induction of new workers ties up the working hours of the more experienced researchers as well.



Attempts have been made to develop the FCA's service ability and the quality of its operations both by means of personnel training and by drafting procedural charts and related internal instructions of the various functions. In August 2006, an internal training day was arranged at the office with the topic of quality control. It was e.g. discussed what kind of know-how high-quality work requires.

Oral and written guidance is continuously provided to companies and their representative organs. The waving of exemptions in horizontal arrangements has resulted in companies starting to present the results of their so-called self-evaluations to the FCA. Much guidance is also given on the competition law assessment of distribution agreements.



Prevention of competition problems as objective

By nature, competition advocacy is interactive, long-term influencing of economic actors and political decision-makers. The focus points are public production and its marketization, in particular, difficult industries as regards deregulation and challenging sectors from the viewpoint of competitive conditions and requirements.

In public service production, the objective is to remove obstacles to market dynamics, to secure competition neutrality between the various production methods and to prevent forbidden competition restraints. The detected competition restraints caused by the public sector are naturally also intervened with by the other means available to the office.

As regards other than public production, the FCA particularly focuses on issues regarding which the FCA is – or has been – involved in reforming the provisions. In recent years, such issues have included the competitive conditions in the trade and the employment pension sector, freight traffic on roads and railways, and issues involving waste management and the emissions trade. In addition to these, the FCA has participated in the work of the construction policy programme and the implementation of the national broadband strategy working groups.

The aim of competition advocacy is to promote the status of the competition angle in social decision-making. Some ways to do this are to combine several administrative sectors, to promote competition-related research and to increase other interaction with universities and research centres.

The civil servants dealing with competition issues in the provincial state offices also participate in the practical advocacy work. Their role has been significant in recent years, particularly as regards advocacy issues related to the marketization of public production.

Satisfactory results

The results achieved through competition advocacy have met with expectations well in recent years. More often than before, the statements of the FCA are invited on pending legislative and other reforms; the marketization of public service production, one of the FCA's main aims, has proceeded rapidly and the FCA has been able to successfully influence many other major issues from the point of view of the develop-

ment of the society, such as the investigation of the competitive concerns related to the employment pension scheme.

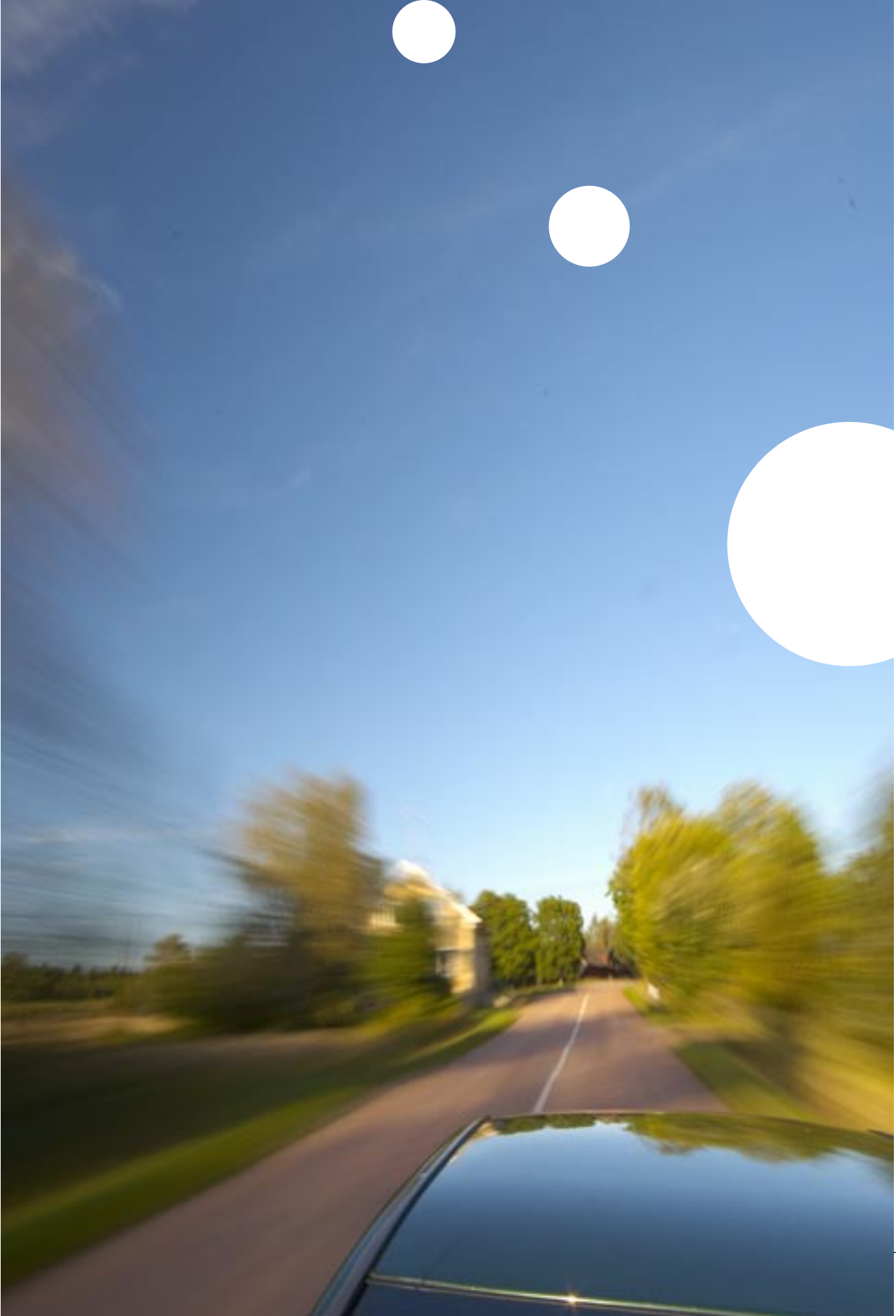
During 2005–2006, the FCA issued several initiatives and opinions e.g. to the different Committees of the Parliament and the Ministry of Social Affairs and Health, in which attention was paid to the potentially harmful impacts caused by the regulation on employment pension institutions and the practices applied in the field. These initiatives led to the Ministry appointing an administrator to assess the competition issues related to the system in June 2006.

The key content of Counsellor Erkki Rajaniemi's report published in January 2007 are the issues the FCA has dealt with in its opinions. The competition issues within the employment pension insurance are examined systematically and both from the point of view of individual employees, employment pension institutions and the entire system. The new government, which started in April, has promised in its programme to promote competition in the employment pension sector based on the above-mentioned investigation.

The most concrete results in competition advocacy in recent year have been achieved in waste management and the freight traffic on railways. A major part of waste management is opening up to competition with the amendment of the Waste Act, and the national freight traffic was opened up to competition at the start of 2007. The Government proposal to the Parliament in 2006 on the amendment of the Waste Act was based on the suggestions of a Ministry of the Environment working group set up on the FCA's initiative.

The least results have so far been obtained in the deregulation of the trade and e.g. the elimination of needs testing in taxi traffic. As regards the trade, the FCA has participated in the discussion on opening hours, the location of the shops and the sales channels of over-the-counter drugs. The FCA also participates in the working group set up by the Ministry of the Environment last year, which has a mandate to investigate the impacts of the present regulation on the competitive conditions of the retail trade. The mandate closes on 30 September 2007.

The increase in the amount of cooperation between several administrative sectors shows in that the number of opinions issued by the FCA increased by almost 50 per cent from the previous year. One third of the statements (25) were issued at the request of the Government Committees. The cor-



responding number was 10 the year before. Of the administrative sectors, the most opinions were invited by the Ministry of Transport and Communications and the Finnish Communications Regulatory Authority.

An example of the cooperation conducted with universities is the seven study-point's course on practical competition legislation arranged for the students of the Helsinki University Faculty of Law. It was arranged in the spring of 2006 for the first time, and a similar course was also arranged this spring.

Last year, the FCA also presented its old competition restriction register to a research project on cartels funded by the Finnish Academy. In the project, the "old" cartel activities are examined from the perspective of traditional economics and economic history.

Issues related to public service production

The Ministry of Trade and Industry and the FCA participated in a Ministry of Finance project in 2005–2006, with the task of drafting proposals for measures to develop the role of private service production in public service production. The final report published in the spring of 2006 contained several proposals for measures relating to the topic. The proposals concerned increasing customer choice, developing markets and market know-how, the creation of competition neutral conditions and increasing the know-how of public and private operators.

The working group supplemented its proposals in the spring of 2007. The group finds that the reform of service structure could be supported e.g. by compiling a structural reform forum where public, private and third-sector experts would jointly examine the main ways to boost the service production. The forum could e.g. discuss service, product, procedural and technological innovations and the impact of competition on service production.

The group also finds that policy definitions as to how the services will be produced should be required from the public sector organisations responsible for arranging the services. Service strategies would be used to secure that the provision of the publicly funded services meets their demand, and that at the same time, the best price-quality ratio for the customer and taxpayer will be achieved.

The working group also proposed the decreeing of a skeleton law to promote the use of the so-called service voucher and to increase customer choice. The other recommendations concerned the reform of the service production models, the more efficient use of information technology, the use of market steering as a means of guidance, the neutrality of taxation and the permit and control procedures of private activities.

Issues of public service production are also handled in the new government programme. It is e.g. stated that "the government intends to ensure the equal conditions of private and public service production by means of competition policy". It is also stated in the programme that the scope of the municipal service voucher shall be appropriately expanded in the future to cover social welfare and health care. According to the programme, the voucher will be extended to home care from the beginning of 2008 already.



ADVOCACY IN PRACTICE

Advocacy refers to such activities by the competition authorities which aim to influence restrictive structures, enactments and operating modes of economic actors. Advocacy is most efficient when it is used to prevent the creation of competitive problems in advance.

The objective is that the market operators and the parties affecting market activities such as the government, economy and different organisations know competition rules and the meaning thereof, and commit, in their own decisions, to promoting efficient competition. Consumers should also know the rules of efficient competition and the advantages to be gained thereby.

Influencing the decision-making of the government officials forms large part of the FCA's advocacy work. The objective is to ensure competition neutrality between private and public production in a situation

where fields of public production have been opened up to competition and where public production has in some cases expanded into fields where only private companies have previously operated.

In practice, the FCA promotes the competition angle by participating in the work of various working groups and other organs participating in legislative reform. Initiatives to dismantle restrictive rules and regulations and opinions on legislative proposals related to the economy are important tools of advocacy.

Competition-related guidance and advice is also provided on the FCA's Internet pages (www.kilpailuvirasto.fi/english) and various printed publications, and in training events and seminars arranged by various the communities in which the FCA's experts lecture.

EXAMPLES OF DOMESTIC WORKING GROUPS IN WHICH THE FCA HAS A REPRESENTATION:

* MINISTRY OF TRADE AND INDUSTRY:

- the division for competition and state aid
- cooperation group of authorities in the energy sector
- support group of the project for the assessment of the regulatory impacts on business
- working group on service centre and accounting office structure of the administrative sector
- the Russian network

* MINISTRY OF TRANSPORT AND COMMUNICATIONS: public transport forum

* MINISTRY FOR FOREIGN AFFAIRS: permanent coordination group of OECD issues

* MINISTRY OF THE ENVIRONMENT:

- working group on trade and competition
- construction policy follow-up group

* HELSINKI REGION CHAMBER OF COMMERCE: the support group of the Efficient public procurement market project

* TEKES, the Finnish Funding Agency for Technology and Innovation: the support group of the Market mechanisms in public services project



In competition control, the main objective is to focus activities on key industries and to allocate resources to the major restraints from the viewpoint of the economy. The FCA seeks to enforce the competition rules quickly and efficiently, and the pre-emptive nature of competition control is boosted by active guidance and information provision. The objective is also to develop the investigation methods and preparation for legal suits and to maintain and develop the FCA's expertise in the assessment of the economic impacts of competition restraints.

The resources in competition control have recently been tied up by the review of infringement fine proposals, the appeals made on the FCA's decisions pending at the Market Court and the handling of requests for access to the file. In cartel control, a large number of resources have been tied up by the legal handling of the asphalt cartel case which has been pending since 2004. In monopoly control, the handling of the Fortum/E.ON Finland case and the subsequent legal actions have employed the most resources. Hundreds of pages of documents have been written to the court in both cases.

The three new Market Court proposals made in 2006 concerned national cartels in raw wood trade, the wholesale trade of spare parts and the repair and maintenance services of household appliances. The other three proposals concerned forbidden RPM, prevention of parallel imports and unlawful retail and marketing restrictions.

The so-called leniency provision (9 §) incorporated into the Competition Act in 2004 has so far been applied in two cartel cases (raw wood trade and wholesale trade of spare parts). For the first time last year, the FCA also applied the possibility awarded by Article 13 of the Competition Act to solve a matter by a commitment decision (the Finnsementti Oy decision of 15 December 2006, diary no 502/61/05).

The investigation of competition restraints is developed in cooperation with other competition authorities. In May 2006, the FCA arranged a Forensic IT meeting in Helsinki, which gathered participants from 25 competition authorities in Europe. The meeting continued the cooperation on investigation methods commenced earlier.

MERGER CONTROL

The objective of merger control is to secure the competitive structure of the markets by intervening, when necessary, in mergers and acquisitions significantly impeding competition. In practice, the control has a clearly pre-emptive impact for harmful mergers. Companies investigate the competition law risks involved in advance, and the most problematic arrangements are not brought before the FCA.

In 2006, 39 merger decisions were issued, i.e. 6 more than the previous year. More detailed investigations were needed in roughly one fourth of the cases.

After the amendment of the notification thresholds made in 2004, the number of notifications has decreased to one third, as expected. However, the number of conditionally cleared mergers (2) is of the same size as in the preceding years. From this perspective, the law reform seems successful.

Non-problematic mergers are sought to be solved quickly and flexibly, so as to ensure that as little harm as possible will accrue to the parties involved. The average investigation time of the cases solved during Stage I was 15 days in 2006. In 2005, the corresponding amount of time was 20 days and in the preceding year, 18 days.

Also merger control is nowadays able to benefit from the cooperation of the EU competition authorities and the possibility to refer cases from one authority to another. In 2006, EU cooperation was conducted in e.g. the Tallink/Silja and TeliaSonera/Cygate cases. Additionally, the FCA assisted the Commission in the investigation of the Omya/Huber deal referred by it to the Commission in 2005.

Conditional decisions in 2006

In January 2006, a conditional decision was issued on the SOK/Spar transaction transferred to Stage II the previous autumn. The FCA investigated the impacts of the deal on a national, regional and local level. Although SOK's market share did not increase particularly high upon national examination, the regional and local impacts of the deal were significant.

The main condition upon the approval of the deal was the obligation imposed on the SOK/S Group to offer the business of the Spar stores in roughly 30 localities to incumbents or potential competitors. SOK/Finland Spar Ltd was also obliged to

dissolve its 35 per cent ownership in Tuko Logistics Ltd. The conditions were imposed to ensure that consumers still had choice in the purchase of daily consumer goods.

The competitive concerns in the Fortum/E.ON deal notified to the office in February 2006 were related to the electricity production and wholesale market. Even though the Nordic energy markets have integrated to a large extent, the electricity production and wholesale market still remain national part of the time because of the scarcity of the transmission capacity and Fortum then holds a dominant position in the Finnish market. The demand and competing supply of electricity met by Fortum do not then efficiently restrict its possibilities to affect the wholesale level of electricity.

In the decision issued in June 2006, it was imposed as a condition of the transaction that Fortum should offer 1 TWh of so-called virtual capacity to the Finnish market on a yearly basis up until 31 March 2011 and to lease its share of the coal-fired power plant of Meri-Pori up until 30 June 2010. Additionally, Fortum shall sell its peat condensate power plant at Haapavesi and the combined power and heat production plant and gas turbine power plant in Hämeenlinna. Without the conditions imposed, Fortum's dominance would have further strengthened because of the deal.

The electricity market investigations conducted in the tight time schedule required by the merger conditions were exceptionally demanding. The FCA had e.g. the price bids of the Nordic electricity exchange at its disposal, and analysing and refining them to a feasible form was particularly challenging.

Fortum has appealed the decision, and the court proceedings related to the appeal have also demanded a significant amount of resources.

No right of appeal for competitors

Competitors last year appealed two of the FCA's merger decisions before the Market Court. The SOK/Spar decision was appealed by the Spar retailers who found that the FCA's decision had a direct impact on their possibilities to continue doing business. The appeal grounds included that the approval of the transaction would result in the termination of the cooperation agreement between Spar and the retailers. The Tallink/Silja decision was appealed by Nor-Ferries AS, who had also participated in the tender arranged for the sales of Silja Oy Ab's shares.

The Market Court dismissed both appeals due to a missing party status. The Market Court hence confirmed the established interpretation under which the actual effects resulting from a concentration do not create a party status under Article 6 of the Administrative Judicial Procedure Act.



New test enabled intervention by the Commission

In 2006, the EU Commission issued its decision in the first case based on unilateral effects. The case involved an arrangement where T-Mobile, the second biggest operator in the Austrian mobile telephony market, and the fourth biggest operator tele.ring merged. Mobilkom still remained the main operator in the market.

When making its assessment, the Commission e.g. noted that prior to the deal, tele.ring had aggressively competed on prices and won customers particularly from the two biggest operators. The Commission also found in its decision that a single operator has an incentive to compete on prices in a situation in which it needs new customers to fulfil the network capacity. Hence, when network capacity is exhausted and an aggressive pricer exits the market due to a concentration, the incentive of the remaining operators to compete was reduced.

The Commission intervened with the deal by imposing conditions upon its approval, although no dominant position was created on the market operators either alone or individually. This was possible because since 2004 a new merger test, different from the one used e.g. in Finland, has been used in EU merger control, based on which the Commission may intervene with mergers as a result of which effective competition is prevented.



CONTROL OF ABUSE OF DOMINANT POSITION

In recent years, the control of dominant position has focused more on the infrastructure industries which are important for the export industry and the national economy, and the use of the so-called bottleneck factors in the defence of market position. Competition restraints detected in the rapidly evolving markets have been the target of particular attention, as these prevent the development of new operating modes and entry into the field.

The resources of monopoly control have focused on the investigation of the energy and telecom markets and foreclosure cases causing serious market disturbances, in particular. The case handling work has also been boosted as to clearly shorten the handling time of new cases of minor importance.

The Energy Market Authority and the FCA signed a memorandum in January 2006, in which the two bodies agreed on a tighter collaboration in the electricity and natural gas market control. The collaboration has been extensive. At the FCA, the resources allocated to the investigation of the energy markets were to a large extent tied up on the investigation of the Fortum/E.ON Finland concentration described above. The FCA was not able to commence its own electricity market investigations until at the end of 2006.

In the telecom markets, the emphasis in the investigations has been on the broadband Internet market where ensuring competitiveness is essentially important from the viewpoint of the information society and the implementation of the national broadband strategy. Although the field has been subject to prior regulation since autumn 2004, this is not sufficient to anticipate and solve market problems. Ensuring the competitiveness of the markets still requires constant follow-up and maintenance of sufficient readiness for intervention from the FCA.

The FCA has long prepared several competition infringement fine proposals in the broadband market, and the objective is to solve them this year. There is still a competition infringement fine proposal on Lännen Puhelin pending at the Market Court, brought by the FCA in 2004.

Market impacts hold a central role

The market impacts of abuse of dominance hold a central role when the FCA assesses the importance of cases and prioritizes them. Prioritization is even now part of the FCA's

daily activities and its role will become even more significant in the future. The investigation of competition restraints with the related trials requires a large amount of resources, and it is not sensible to apply them in the handling of problems which have minor impacts.

As a result of the prioritization, a situation was achieved by the end of 2006 where more than half the pending abuse of dominance cases could be called significant by their economic impacts; at the start of the year, roughly one third of all cases were such.

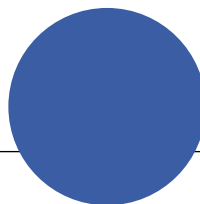
Analysing market impacts has growing significance for finding and assessing abuse. Such an orientation can clearly be detected both on a national and EU level. The EU Commission is currently drafting new guidelines for the interpretation of Article 82 where the importance of economic analysis and concrete market impacts is even more pronounced. The guidelines are expected to be finished during 2007. The end result is significant from the point of view of application of the national competition rules because Article 6 of the Competition Act regarding the abuse of dominant position is uniform with Article 82 of the EC Treaty.

First commitment decision

The Finnsementti case can be named an example of foreclosure cases in other than the infrastructure industries. The selective discount systems applied by the company were seen to have potentially foreclosing impacts. After the FCA had intervened with the matter, the company undertook to apply pricing which does not artificially restrain the import of cement.

The Finnsementti case was the first FCA case where Article 13 of the Competition Act reformed in 2004 was used to solve a competition problem by a commitment decision.

Large investigations also began on the lock market in 2006. Corresponding investigations were also made in the payment system market of taxi cars and in the construction and explosives market. In addition, several decisions were made on foreclosure suspicions in the air traffic market.



ENSURING COMPETITIVENESS IN THE ELECTRICITY MARKET

The public discussion on the electricity market has been lively. Particularly the report of administrator Matti Purasjoki appointed by the Ministry of Trade and Industry in October 2006 on the effectiveness of the wholesale and retail sale market of electricity caused much debate.

The FCA's own expertise on the electricity market was last year almost totally employed by the Fortum/E.ON Finland concentration and the ensuing trials. It was only possible to commence a wider investigation of the electricity market at the end of the year.

During the present year, the FCA attempts to investigate whether there are problems in the electricity market which the FCA should intervene with on the basis of the Competition Act. At the same time, the FCA examines other ways to ensure the competitiveness of the electricity market.

The start of the second emissions term in the beginning of 2008 causes – at least in the industry's opinion – clear pressures to raise prices in the electricity market. To guarantee reasonable prices, it is important to ensure that the market is as competitive as possible.

Access difficulties

Special features are related to the electricity market as an industry, such as the large investment needs connected to access. For the company to fully operate in the market, it must have a considerable amount of own production capacity. The hydro and nuclear production are characterised by low variable costs and – particularly considering the emissions trade – also by low total costs.

The companies who own hydro and nuclear power have considerably improved their profitability after the emissions trade commenced. Normally, the market mechanism would function in such a way that high profitability would entice firms to make additional investments in new capacity, particularly in the above-mentioned more lucrative forms of production.

Building new power plant capacity is extremely hard in practice, however. The construction of hydro power is so heavily regulated that large-scale investments in it are not possible. Further building of nuclear power requires heavy licence processes, considerable special know-how, vast investments and the solving of difficult problems e.g. related to the final placement of used petrol.

In practice, the emissions and other environmental legislation prevent the building of additional coal-fired plants in Finland. E.g. the limited geographical capacity of the natural gas network and the liabilities of the emissions trade increase the threshold to build coal-fire power. The use of domestic fuels (incl. wind power) is complicated e.g. by the financial dependency of the facilities of the subsidy policy, the various appeal processes related to the placement of the power plants and the availability of fuel. An additional risk caused by the predictability of the energy and environmental policies is also generally related to power plants investments.

Centralisation a problem particularly in the wholesale markets

Purasjoki's report generated much public discussion on the degree of concentration of the electricity market. In their investigation of the electricity market in 2003, the Nordic competition authorities have paid attention to the same issue (A Powerful Competition Policy, Towards a more coherent competition policy in the Nordic market for electric power).

The concentration problems are particularly related to the wholesale market of electricity. The Nordic electricity market has largely integrated, and the price of electricity is determined in the Nordic Nord Pool electricity exchange. Because of sparse transmission capacity, the wholesale market of electricity is national at least part of the time, and Fortum then holds a dominant position in Finland.

There are clearly oligopolistic features in the market even on a Nordic level; only a handful of the operators are clearly bigger than the others. The above-mentioned access problems further reinforce the problems resulting from concentration.

The acquisition approved by the FCA on 2 June 2006, whereby Fortum Oy's subsidiary Fortum Power and Heat Oy acquired control in E.ON Finland Oy, was important from the viewpoint of the domestic concentration trend. The FCA intervened with the market concentration by making it a condition of the approval that Fortum dissolve certain parts of its production capacity. Without the conditions, Fortum's dominant position would have been reinforced.

Some of the terms imposed were temporary because the situation on the Finnish electricity market will considerably change by the end of the century e.g. when the new nuclear power plant unit and the new transmission connection between the Finnish and Swedish electricity networks are finished.

Additional investments into production and transmission desirable

In the future, securing the competitiveness of the electricity market requires that the markets will not continue to concentrate any further. Minimizing the existing concentration impediments requires that the bottlenecks in the electricity networks between the Nordic countries and between the Nordic countries and the surrounding areas will be eliminated. The markets would then be national or regional for short periods of time.

Attention should also be paid to facilitating access. No further impediments should be posed on new investments either legislatively or otherwise, and to the extent that additional capacity building is still possible, new entrants should be guaranteed equal chances with the incumbents to participate e.g. in the building of additional nuclear plant capacity.



CARTEL CONTROL

The purpose of cartel control is to disclose such price and market sharing cartels in particular, the objective of which is merely to limit competition. The serious competition restraints which are detected are prescribed to be terminated and brought before the Market Court for the imposition of a competition infringement fine. The activities focus on the handling of serious competition restraints which are significant for the national economy.

The emphasis of cartel control has been shifted in recent years from the handling of requests for action to the FCA's own-initiative investigations and preventive work against cartels. The activities have also been boosted by developing the investigation methods. Close cooperation with the EU competition authorities and the new amnesty system of sanctions assist in the anti-cartel work.

In 2006, the FCA made three proposals on imposing infringement fines on national cartels. The total amount of the proposed infringement fines is almost €55 million.

The oral hearing of the asphalt cartel proposal pending at the Market Court was held in December 2006. The main hearing lasted for 18 session days and 48 witnesses were heard. The FCA made its own preparations for the main hearing and the preceding preparatory hearing for the entire 2006.

Forbidden cooperation in the purchase of timber

In December 2006, the FCA proposed that infringement fines be imposed on Stora Enso and Metsäliitto Osuuskunta for a buying cartel in raw wood. The size of the proposed infringement fine is €30 million for Stora Enso and €21 million for Metsäliitto.

The FCA finds that, during 1997-2004, the companies were guilty of participating in forbidden price cooperation and exchange of information in the purchase of raw wood. No infringement fine is proposed to UPM-Kymmene Oyj, as the company fulfilled the criteria for amnesty prescribed in Article 9 of the Competition Act.

UPM-Kymmene, Metsäliitto and Stora Enso annually buy approximately 80 per cent of all domestic raw wood. The FCA finds that the forbidden price cooperation has prevented the common demand-and-supply-based price formation in the field, and hence had a negative impact on the market structure and the operation thereof.

Other cases pending at the Market Court

The Market Court proposal made in May 2006 concerned the imposition of competition infringement fines on the Finnish Federation of Household Appliances and the repair shops active in its board of directors in 1997-2003. The FCA finds that, at that time, the prices were determined within the federation with which the repair shops were willing to offer their maintenance and repair services to companies granting guarantee services for household appliances. According to the proposal, the purpose of the cooperation was raising the price level of the guarantee services and repairs. The combined sum of the proposed infringements is €276 240.

In July 2006, the FCA proposed that the Market Court impose to HL Group Oy, Koivunen Oy, Oy Kaha Ab and Örum Oy Ab infringement fines of a total of €3.76 million for a cartel on the wholesale level of the automobile spare parts market. The companies had boycotted a resale chain ac-



tive on the wholesale level, in order for the chain to abandon its cooperation agreement with a firm who was a competitor of the companies involved in the cartel. The FCA found that the purpose of the cooperation was to prevent the entry of a new business model into the Finnish market. The competition restriction was dissolved during the FCA's proceedings.

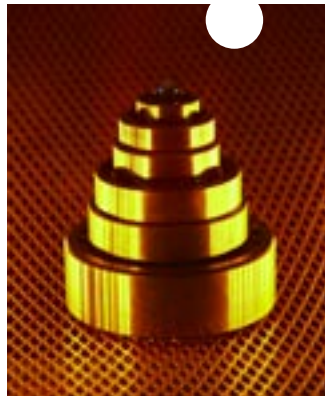
No infringement fine is proposed to Arwidsson who participated in the boycott, since the company disclosed the cartel. This was the first time that the FCA made a decision on the non-imposition of competition infringement fines awarded by Article 9 of the Competition Act.

Pending at the Market Court are a total of eight cases involving forbidden cooperation between mutually competing firms. The other pending cases concern Kesko and the K food retailer association, some taxi drivers from Enontekiö, the Finnish Association of Architects and the malted barley

market. The last two cases are based on appeals made on the FCA's decisions.

Processes related to requests for access to file

In several cases, the cartel investigations have involved disagreements on the application of the publicity legislation (Act on the Openness of Government Activities, 621/1999) between the FCA and the companies suspected of a cartel. The FCA has been involved in several court proceedings concerning the interpretation of the publicity legislation both in the Supreme Administrative Court and different administrative courts. The tasks relating to the application of the Act on the Openness of Government Activities have tied up a significant amount of the resources available in cartel control.



MUNICIPALITIES AND THE FCA TO TACKLE CARTELS TOGETHER

In 2006, the FCA, the state provincial offices and the Association of Finnish Local and Regional Authorities arranged roughly 20 joint events with the procurement organisations of the largest Finnish cities. The topic of these events was the detection of cartels in the tenders arranged by the cities.

The discussions involved the examination of the typical operating modes and favourable market conditions for cartels and issues related to the detection thereof. It was also discussed how the creation of cartels could be prevented in advance.

The events were conducted with the procurement organisations of the cities of Espoo, Helsinki, Jyväskylä, Kuopio, Lahti, Oulu, Pori, Rovaniemi, Salo, Tampere, Turku, Vaasa and Vantaa.

The damages caused by the cartels to the municipalities and the rest of the public sector in general are extensive, as the purchasing volumes are so large. The public sector buys products and services for an annual sum of €22.5 billion in Finland. Public procurements form roughly 15 per cent of the GNP.

Cartels focus directly on the finances of the municipalities and hence turn out to be detrimental for all taxpayers. Due to the cartels, municipalities pay more for the raw materials, products or services they purchase than they would if the prices formed freely in the market as a result of free competition. Also, cartels often prevent the entry of new companies and products into the market.

COMPETITION RESTRICTIONS AND DISTRIBUTION AGREEMENTS

Establishing the prohibition principle

Establishing the prohibition principle concerning distribution agreements which became effective in 2004 has entailed that all the detected hardcore competition restraints have led to the making of a competition infringement fine proposal to the Market Court. Arrangements which seek to prevent or complicate the entry of new companies or operating models promoting competition have been targeted, in particular. Three proposals for competition infringement fines were made to the Market Court in issues dealing with distribution agreements.

* In March 2006, the FCA proposed that the Market Court impose an infringement fine of €120 000 for Tecalemit Oy for infringing the prohibition on resale price maintenance (RPM). The RPM involved an agreement on the servicing, repair and installation services between Tecalemit importing machinery and equipment and Pohjolan Laitehuolto Oy. As a result of the RPM, Pohjolan Laitehuolto could not freely compete with Tecalemit and the other retailers authorised by it. The companies who owned Tecalemit's machinery and equipment also suffered from the lack of price competition.

* In May 2006, the FCA proposed that the Market Court impose an infringement fine of €300 000 to Nikon Nordic AB. The basis of the proposal was that Nikon had refused to extend its product guarantee to Nikon cameras parallel imported from elsewhere in Europe. Competition restrictions which prevent or complicate parallel imports from the other EU countries prevent Finnish customers from benefiting from the common market in full.

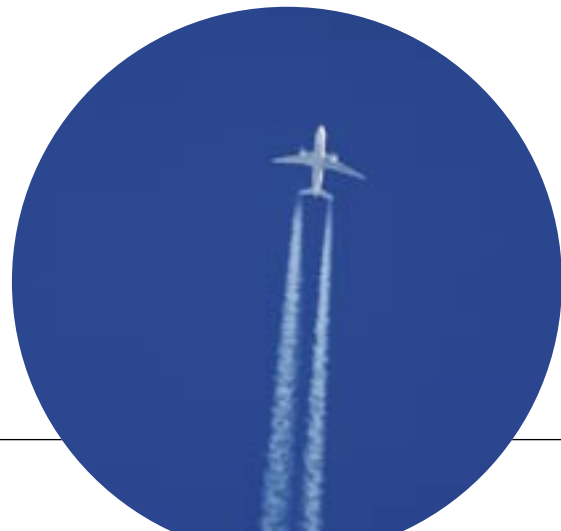
* In November 2006, the FCA proposed that the Market Court impose a competition infringement fine of €100 000 on Lastentarvike Oy for conduct violating the Competition Act in the retail sales of baby prams and pushchairs. The company prevented its dealers from selling the products to consumers outside their own territories, and forbade them from selling and marketing the products on the Internet and national

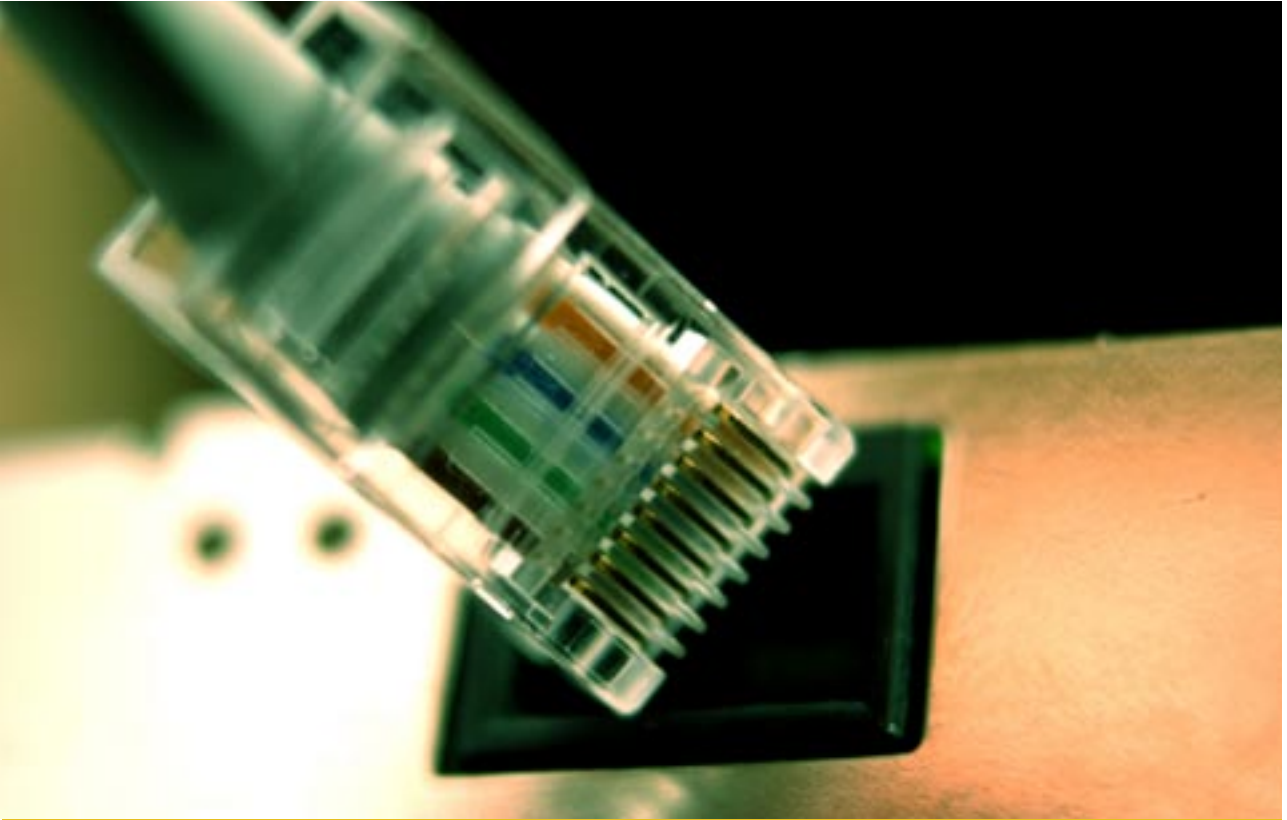
specialist magazines. The restrictions decreased competition on consumer-customers between the retailers and hence led to higher prices for the products than would have been in a state of competition. The position of Lastentarvike as the market leader in the bay pram/pushchairs business and a representative of strong brands in the market emphasised the harmful competitive impacts of the restrictions.

International cooperation has availed investigations

The party implementing a competition restraint in distribution channel restrictions is often located in another member state. The FCA has taken advantage of the ECN network either by requesting the competition authority from another member state to assist in the acquisition of information or by referring a case to a competition authority of another member state. Such cooperation has been conducted with the competition authorities from Holland, Germany and Great Britain.

An example of international cooperation is a case which involved a competition restraint in the sales of plastic fabrication technology machines. It showed in the investigations that a company manufacturing the machines, registered in Great Britain, had ordered exclusive customer groups to its two Finnish distributors and imposed restrictions on their passive sales. The British competition authority Office of Fair Trading examined the case on the FCA's initiative, and subsequently made a decision in the matter, as a result of which the competition restraint and its harmful impacts were eliminated from the Finnish market.





Enforcement of EU competition rules

The enforcement of the EU competition rules and the cooperation in the ECN network formed by the EU competition authorities is an essential part of the FCA's substantial work. The network cooperation promotes the combating of competition restraints and improves the workability of the market in Finland.

The FCA applies the EC competition rules in tight cooperation with the Commission and the rest of the member states. In the enforcement of the rules, the focus is on the major competition restraints issues from the perspective of the Finnish market. Cooperation is also conducted in merger control. The cooperation has boosted the investigation of competition restraints and merger control cases.

All cases in which Article 81 and 82 of the EC Treaty are applied are registered into the common Interactive database of the ECN network. By the end of 2006, roughly 650 cases had been entered into the database; Finland had recorded 10 of these.

Additionally, roughly 15 sectoral working groups operate within the network as well as less than 10 other working groups related to the operations of the network and the application of the EU competition rules. The FCA participates in the work of all these groups. A so-called Consumer Correspondent cooperation network was also founded in the context of the network to promote the dialogue between the consumer and competition policies.

The Commission has recently launched several investigations of major sectors from the viewpoint of a functional common market in which the potential competition problems in the said fields are charted. The investigations have concerned the finance markets, the energy sector, the telecoms and media sector and the so-called liberal professions.

In the field of competition rules and the application thereof, the Commission published a new notice on fines in December 2006. In autumn 2006, the ECN network published a recommendation for situations where the so-called leniency application i.e. an application on the non-imposition of fines is made in several member states simultaneously (ECN leniency model programme).

The Commission is presently assessing problems which complicate the possibilities of parties subject to competition restraints to claim damages for harm caused by a competition restraint. The new guidelines on the application of Article 82

of the Treaty and the application of the merger regulation on vertical mergers are also under work.

The new implementing regulation of EU competition rules effective from 2004 has considerably increased the number of competition restraints assessed by the FCA. In 2006, the FCA handled a total of 422 EU cases and participated in a total of 84 Commission meetings or training events.

EU cases and meetings, no

	2004	2005	2006
EU cases	351	374	422
EU meetings, no	72	71	84

EU presidency 2006

Austria and Finland, the two Presidencies of 2006, organised a European Competition Day 2006 entitled "Competition Law and its Surroundings - Links and new Trends" in June 2006. It is a traditional event which began in Lisbon in 2000, and the purpose of it is to stress the importance of effective competition particularly for the consumers. The FCA assisted the Ministry of Trade and Industry in the preparation and execution of the event.

The topics of the Competition Day included mergers, the trends of competition policy and the significance of the implementation of antitrust policy for European competitiveness. The Finnish speakers included Director General Raimo Luoma from the Ministry of Trade and Industry, the FCA's Director General Juhani Jokinen and Professor of Strategic Management Tomi Laamanen from the Helsinki University of Technology. The topic of Professor Laamanen was consecutive mergers and business strategy.

In addition, in December 2006, the FCA and the DG Competition of the European Commission organised a seminar on the so-called professionals services, which brought together policy officials responsible for regulating the professions in the Member States and representatives from the European-level professional bodies. The seminar e.g. highlighted the studies conducted on the pharmacy sector, the legal services and the property transfer services which advocate the dismantling of unnecessary regulation. Similar events have previously been arranged during the British and Dutch Presidencies.

In June 2006, a group of representatives from the Commit-



tee on Economic and Monetary Affairs of the European Parliament visited the FCA. The topics discussed included energy issues and the competition neutrality of state aids.

Other international cooperation

In addition to the EU, the focus of international cooperation is on OECD and Nordic cooperation. The cooperation is also conducted within the ECA and ICN networks and the Baltic states and Russia. The FCA participated in 54 other (besides EU) international meetings.

The OECD Competition Committee and the Working Party on Competition and Regulation and the Working Party on Enforcement and Co-operation convened three times last year. The topics discussed included actions against individuals related to competition restraints cases, competition issues related to payment card systems and the interfaces between competition policy and environmental protection. Interesting from the Finnish angle were also discussions on innovations, patents and competition policy and the importance of evidence in merger control. Reports on all the above-mentioned topics were drafted at the FCA for the meetings.

In December 2006, the FCA also participated in the OECD regulatory reform meeting in Paris. In addition, a FCA expert was invited as a guest lecturer in a cartel seminar arranged by the OECD in Budapest in November 2006.

A meeting of the Nordic Directors General was held in Reykjavik in April 2006 and a general meeting in August 2006 in Bergen. The topics of the general meeting included the exchange of information in business associations, amnesty from competition infringement fines and the competitive concerns in the construction sector.

In the general meeting, a report from the Nordic competition authorities entitled "Competition in Nordic Retail Banking" was published. The report states that effective competition requires free access by the new banks into the payment systems between the banks and the ATM and payment card systems. The conditions for access should be transparent and indiscriminatory, and the ownership of the system should be separated from their customership. The other proposed recommendations aim at promoting the comparability of the services and prices and the increased ease of consumers to switch banks.

The FCA and the Russian competition authority the Federal Antimonopoly Service have signed a new cooperation agreement for 2006–2007. The programme entails providing technical support and a regular exchange of officials between the countries. The FCA also participates in the work of the Russian network of the Ministry of Trade and Industry.

Additionally, the FCA representatives participated as lecturers in Bucharest and Sofia as well as in a competition conference of the Baltic states held in Vilnius in September and the Czech competition conference held in Brno in November.

The ECA Directors General meeting was held in Nice in May 2006. The meeting decided to set up a working group on competition infringement fines. The FCA also participated in the ECA air traffic and retail banking working groups.

The annual ICN conference was arranged in May 2006 in Cape Town. The FCA also participated in the ICN merger control seminar in Washington in March and the cartel meetings held in the Hague in November.

The European Commissioner for Competition Neelie Kroes visited the FCA in June 2006. Her visit was connected to Finland's EU Presidency.



Photo: European Commission

A common ECN web page of the Commission and the member states was launched on the competition-related Internet pages of the European Commission in 2006. It offers information on the application of the EU competition rules in the different member states. See http://ec.europa.eu/comm/competition/ecn/index_en.html

The materials of the OECD Competition Committee can be found according to topic on the organisation's Internet pages at www.oecd.org/competition. The per topic material contains the reports produced for the meetings by the FCA.

The working group reports of the Nordic competition authorities and the reports of the ECA working groups can also be found at the FCA's home pages.

THE REFORM AGENDA ON THE LIBERAL PROFESSIONS

The advocacy initiative concerning the liberal professions is part of the Lisbon strategy of 2000, which aims to increase the competitiveness and dynamics of the European economic area. The service sector to which the liberal professions also belong have been found to occupy a key position from the point of view of economic development.

The practitioners of so-called liberal professions include lawyers, pharmacists, accountants and architects. It is the Commission's objective to encourage the member states to improve regulation in different professional fields e.g. by dismantling unnecessary regulation harming effective competition.

Regulation is typically justified by the benefits of consumers and as means to ensure a high quality of the services. According to the studies, however, the existence of regulation is often justified to maintain the spe-

cial position of one's own professional group and to attain good financial results. Consumers, above all, benefit from deregulation.

The European Parliament also announced in its resolution of September 2006 that it holds the liberal professions in a key position as regards the European economy and that it will support any reforms of the matter. The resolution is related to the notices that the Commission has formerly published about competition in professional services.

The main responsibility for the necessary regulatory reforms lies with the member states and the practitioners' own organisations. According to the Parliament, the Commission shall ensure by its actions that the provisions of the Treaties on the protection of competition and the internal market are adhered to.



The effectiveness of competition control and competition advocacy is boosted by active communications on the FCA's case-law and the other activities of the office. Communications emphasises the benefits of competition obtained by the customers and consumers, and the general welfare-increasing impact thereof.

The FCA and competition issues in general were more commonly reported in the media in 2006 than in 2005. The largest coverage was obtained by the Fortum/E.ON Finland acquisition and the competitive scene in the electricity market. Of the other merger cases, e.g. SOK's Spar deal and the St1/Esso arrangements, the Tallink/Silja deal and Elisa's Saunalahti deal also received attention in the press.

As regards cartels, the majority of the interest focused on the raw wood and asphalt cartels. The issues were examined in a favourable light in the majority of the writings. The idea that cartels become expensive for the consumers and taxpayers seems to generally have gone through well in the media.

As regards competition advocacy, the issues which received media coverage included the competitive impacts of regulation and the competitive concerns related to the production of public services.

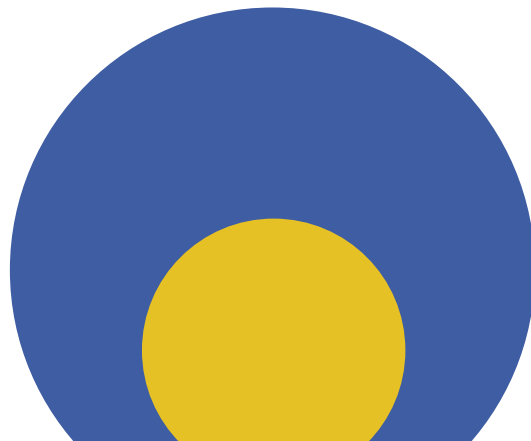
The FCA issued 14 press releases in 2006, which is one less than the previous year. Eight of the press releases were related to Market Court proposals or the preparation thereof, and three to merger control. The topics of the other three press releases were cooperation between the FCA and the Energy Market Authority, the municipalities' involvement in cartel control and the Nordic bank report.

Three issues of the Competition News (Kilpailu-uutiset) leaflet were published in 2006. The topics included competition-related research, competition policy as part of total economic policy and the juridification of competition law.

The number of subscribers has steadily increased in the past few years. The Competition News is presently being sent to 1 700 addresses either on the FCA's initiative or by subscription. The recipients represent the major interest groups of the office, such as MPs, civil servants, lawyers, company executives, reporters and researchers.

Only the Finnish-language version of the FCA's annual report was printed last year. The Swedish and English versions were available in electronic form only. The motto of the annual report was "Effective competition creates welfare".

One Master's Thesis on concept of a business undertaking in competition law was published in the FCA's Investigations series.



THE FCA ANNIVERSARY 2006

The FCA celebrated its traditional anniversary day (the KIVI day) in 2006 by arranging a seminar to lawyers handling competition law assignments. The seminar was arranged on 10 October in the National hall in Helsinki, and it attracted more than 50 lawyers from different law firms and an equally large crowd of the FCA's researchers. The topic of the event was the handling of competition restraints cases at the FCA and the Market Court.

According to Director General Juhani Jokinen, the meeting marked the beginning of a new tradition: the objective is to engage in regular discussions between the lawyers and the FCA. The purpose of the interaction is developing the processes and making the handling of competition issues at the FCA as fluent and smooth as possible.



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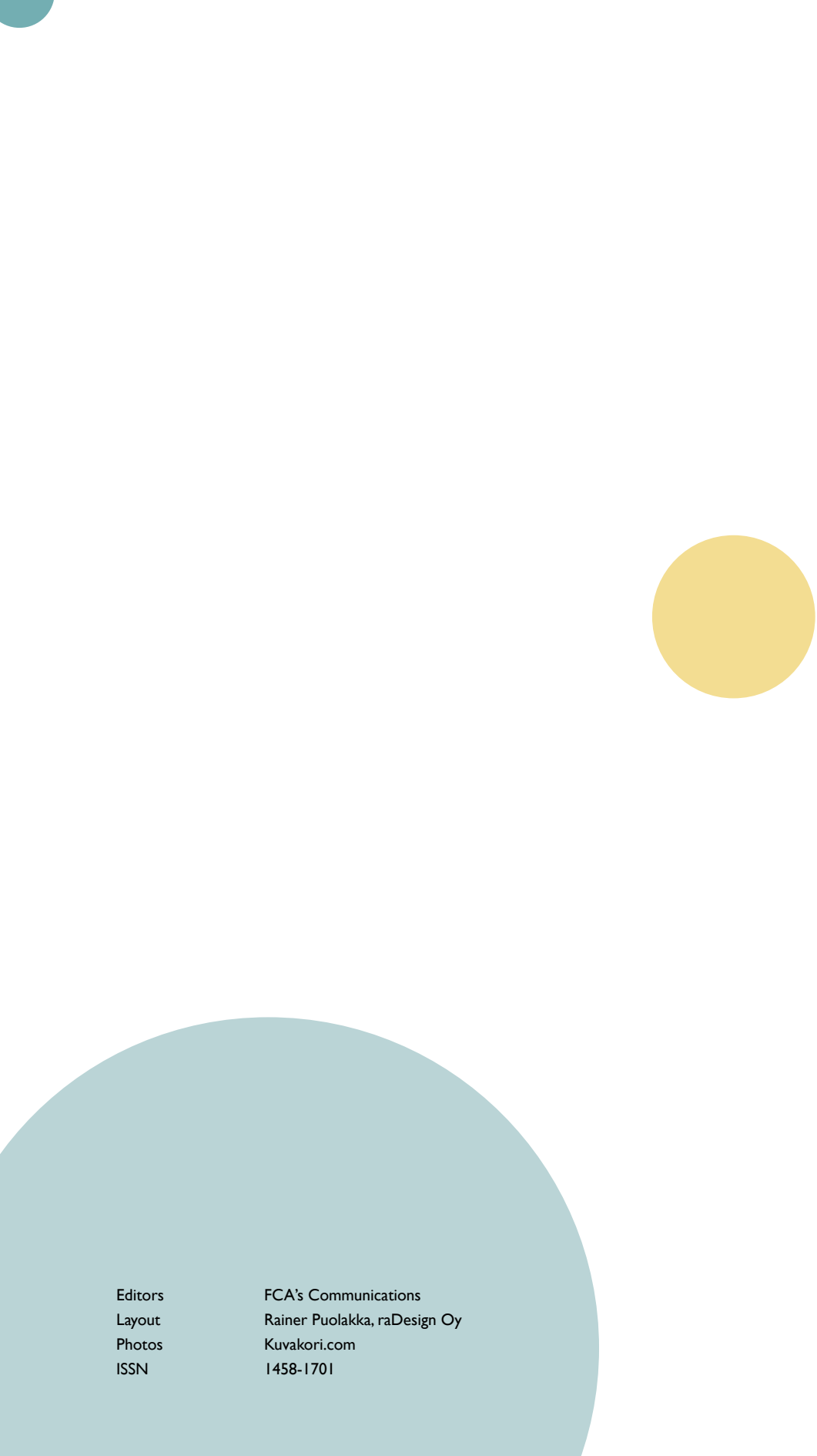
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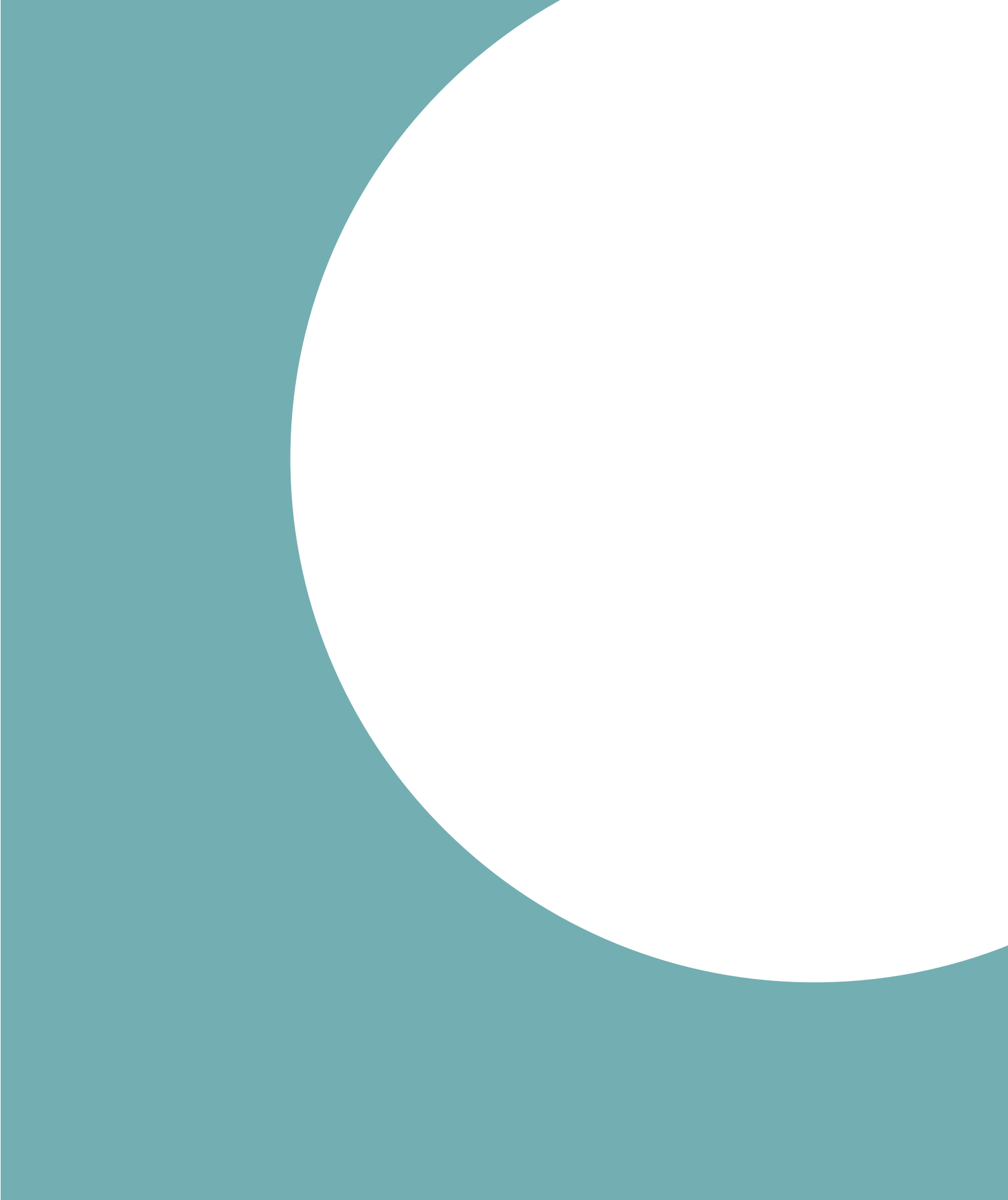
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