IT IS EASY TO SAY: GROWTH!

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The issue concerning growth, as known, consists in how to overcome this long season of slow economic development. It is, first and foremost, a European problem – with the exclusion of Germany and a few others. However, many other countries in the Western hemisphere are suffering from modest levels of growth as well. In the countries “on the outskirts” of the Eurozone, growth is basically inexistent; in Italy it has a negative trend.

A few years ago, economists, politicians, historians, jurists and experts in political affairs started a lively debate on how to achieve an economic recovery. It is difficult to find written comments stating with cruel clarity the actual situation. However, there are two main aspects that will require time in order to be removed. On one hand, it has been necessary to take cognizance of the fact that we are facing, or undergoing, a debt crisis which is destined to have a considerable duration in time. Creditors have all the power in hand, and the bonds in their possession have a value which is proportional to debtors’ reliability. If this declines, the bonds lose their value and are no longer negotiable. It is commonly said that it is necessary to restore trust in those who purchase bonds. However, trust follows numbers. Low growth means a worsening of the ratio between total public debt and GDP; it means that it is necessary to require restrictive measures as regards public expenditure, which in turn produces a reduction in domestic demand and employment. Citizens belonging to the Mediterranean Eurozone feel as if they have fallen into a labyrinth which they have learned to know very well, but cannot see the way out.

“Global” economy has complicated the pursuit of economic policy measures fit for the circumstance. An economy strongly characterized by mobility of capital is destined to see its capital sums move, for a good part, at zero cost and in zero time. Even work, technology, entrepreneurial skills move fast, but with greater difficulty.

Besides, wealth is created by enterprises which is like saying that it is made of all these factors, including the State’s action. In short, the growth of a country depends on how the “institutions” in that country work.

It has been said that it is necessary to introduce “structural reforms” in Italy and elsewhere, and there is a reason for such statement. However, using said expression with reference to the property of capital and then to the costs which public action entails has not resolved the problem. At least such issue is a short-term one, whereas there is no way to know how long the grip of the debt crisis will last, as it is currently ongoing and it is not clear how it will be possible for it to stop.

It is necessary to be aware that this scenario in its whole cannot improve tomorrow, with modest costs and in every country.

It is our belief that a healthy and long-lasting recovery can be achieved only by introducing

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the enzyme of greater competition in every economy. Said competition needs to be as much as possible dynamic and widespread to the activities involved directly or indirectly in the productive process.
A dynamic view of competition entails a broad opening of the markets to entrepreneurs and capital sums that have the aim to create new productive activities or become protagonists in ambits which have been dominated by monopolists. Hence, technological innovation, as regards product or purpose, becomes a pivotal element in this scenario which the Antitrust Authorities need to concur in creating. Said Authorities must become themselves dynamic protagonists of this viewpoint. They must be well aware that their traditional tools of analysis may need to be reviewed. When considering what happens continuously in the productive environment, we must ask ourselves whether the delimitations in ambits such as the market, geographical areas or even products must be redefined and how.
It is necessary to reluctantly take cognizance of the fact that if in order to ensure long-lasting growth it is necessary to guarantee good competition, it is not likewise sufficient to produce recovery in terms of employment. Actually, it can occur that a more active and widespread competition causes the need to reduce labour demand thus worsening unemployment. The opening of the markets towards new enterprises can create productive excesses in the relevant industries, with dismissals and widespread forms of interventions of public finance which at the moment seem difficult to reverse.
All historical changes similar to what we are living today entailed costs such as the ones we are currently experiencing for entire productive structures or even for wide geographical areas. All the protagonists must act out the role they have received. In reviewing the activities carried out in the recent years by the Italian Competition Authority, we must be aware and cautious, but determined as regards the road to undertake.
The Authority has intervened in many cases in order to promote the opening of the markets not only by means of its investigatory activity, but also through its advocacy activity. The many synergies existing between the power of advocating and the investigatory activity have produced emblematic aspects such as the interventions carried out in the postal sector. Said market, despite the important results obtained from the viewpoint of the opening to competition, still presents spaces of intervention for the entrance of new operators really competitive compared to the incumbent, and for the broadening of the amount of services to be made contestable, with an increase in the quantity and quality of services for consumers.
As regards the Authority’s interventions aimed at favouring the broadening of the markets even in very complex regulated contexts, it is important to mention a case dated July 2012. In said case, it was ascertained that the FS group, historical incumbent of the sector, by making use of the companies RFI and Trenitalia, put into action a complex and joint strategy aimed at hindering and in actual fact impeding the entrance of the company Arenaways on the market. Proceedings are underway so as to verify FS’s alleged abusive conduct in the markets for the access to the national railway infrastructure, for the management of the advertising spaces within the main Italian
railway stations and for the market of high-speed passenger railway transportation in order to favour its subsidiary Trenitalia and hinder the new entrant, NTV. At the moment, Ferrovie dello Stato has lodged its commitments for the solution of the issues raised by the Authority, which were made object of a market test.

The Authority’s attention towards the railway sector has started to produce several results. In fact, the entrance of the second operator in the high speed passenger transportation has determined a considerable impact on prices (by about 20%) as well as qualitative improvements in the services, and especially an increase in the amount of passengers transported. In part, the latter have been “taken away” from other means of transportation (in particular, air and road transportation). However, even more important, said results (over two million passengers in the last 12 months) are, in part, the result of a “new” demand, which would not have been revealed if competition had not been opened.

Even the intervention with which the Authority, after three years, re-evaluated the impact of Alitalia’s privatization, without prejudice to its specificity, can be ascribed among those interventions which have produced immediate perceivable benefits for consumers, or at least for the passengers of the most profitable national route, Rome-Milan. Since the development of the high-speed railway sector constitutes a viable and less expensive alternative, at least for the more price sensitive passengers, the measures imposed by the Authority (the issuing of slots in the peak hours) enabled the entrance of a particularly aggressive competitor (Easy Jet) and the availability of tariffs definitely more contained, also for more time sensitive passengers.

Always in the transportation sector, it is important to mention the proceeding which sanctioned a cartel carried out by navigation companies in charge of the maritime transportation to/from Sardinia. The Authority resolved that the companies Moby, Snav, Grandi Navi Veloci and Marininvest had entered into an agreement with the aim to increase prices for passenger transportation services in 2011 on the main routes to/from Sardinia. The agreement produced a considerable increase in prices which resulted detrimental to the community of consumers, as well as in a reduction of the touristic flux in Sardinia.

As regards telecommunications, the Authority has recently condemned Telecom Italia to a heavy sanction for abusive conducts of dominant position in providing wholesale access services to the local network and broadband, hindering the expansion of competitors in the markets of voice telephone services and access to the internet broadband. Currently, two proceedings are ongoing: the first concerns an investigation for an alleged agreement among the main mobile telephone operators with the aim to exclude a new competitor, while the second concerns a conduct capable of restricting competition in the market of

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2 Pursuant to article 1, paragraph 10, of Law Decree n. 134, dated 28 August 2008, entitled “Urgent provisions as regards restructuring of large enterprises in crisis”, in fact, Alitalia’s acquisition was excluded from the requirement of authorization pursuant to Law n. 287, dated 10 October 1990. The Authority was called only to indicate the term, however not inferior to three years, within which the monopoly position of Alitalia-CAI should have been removed, enabling new operators to represent a competition restriction to Alitalia-CAI’s market power.
wholesale technical ancillary services to the fixed telephone network. Moreover, in the attempt to favour the opening of the markets and competition dynamics as much as possible, the Authority has decided to accept Eni's commitments, making them binding, as regards the call for tenders for the capacity of international gas transport networks belonging to TAG and Transitgas.

The assurance that every year, regardless of the market's situation, Eni will put at disposal a minimum of 5 billion cube metres of secondary capacity (3.4 billion on the Tenp/Transitgas system and 1.6 billion on TAG) represents a positive factor in the attempt to build a stable presence of potential competitors in the final market for the sale of Italian gas. Large industrial customers will be able to exploit the capacity made available on a stable basis by Eni, thus cutting down their own costs of supplying of national gas and bringing it to the level of their European competitors. Eni's competing shippers, instead, will be able to exploit the capacity put at disposal in the call for tenders so as to supply - at more reasonable costs - middle-large consumers that are not big enough and do not have the necessary know-how to be able to integrate from the outset in the provision of gas.

As regards the insurance sector, it is important to mention an investigative proceeding aimed at analysing the regulations contained in contractual relationships among some of the major insurance companies and relevant agency networks. Said regulations are likely to hinder the spreading of multi-mandate agency networks, precluding an actual competitive comparison among companies with negative effects on the average prices of the insurance policies in Italy which are among the highest in Europe (almost double compared to France and Portugal, and higher than 80% compared to Germany).

The Authority has closed other relevant investigations during the year, sanctioning conducts aimed at hindering a broad liberalization of professional services, as disposed by the legislator, with particular reference to the freedom to establish prices or access to the profession.

The Authority is paying particular attention towards the pharmaceutical sector, typical ground for tensions between intellectual property and competition. This specific protection, in fact, is indispensable to promote innovation, but an abusive and instrumental use of said mechanisms can impede competition, keeping the prices of drugs artificially much higher with negative repercussions on the public budget. In the past year, other important proceedings have been closed and launched by the Authority in this sector, with the likeliness of having a considerable impact on the expenditure of the national health service.

Always in the health sector, the Authority has recently launched an investigation so as to verify if some companies operating in the private health sector have entered into an agreement restricting competition with reference to the participation in a call for tenders for the entrusting of clinics already belonging to Gruppo Angelini.

In the markets connected to separate waste collection, the Authority has launched an investigation against Hera, Hera Ambiente and Akron, all belonging to the same company group, so as to verify whether they have carried out an abuse of dominant position with...
possible effects in the market of urban waste collection and transportation. As regards the disposal of mud deriving from sewage, the Authority has launched an investigation so as to verify whether several companies have entered into an agreement restricting competition with the aim of limiting said competition on the occasion of call for tenders for the entrusting of the service. Consumers have certainly obtained an advantage from the mentioned activities, but we are also convinced that, owing to our intervention, there has been an increase in the *quality of production* in these as in other sectors. In times of economic difficulty, we know that the situation of crisis and the existence of “national samplings” cannot become habitual dangers, and that they cannot and must not be ignored. They represent the many aspects of the great issue concerning the relationship competition-growth-employment-quality of enterprises operating in the different national realities. The Authority must ensure as much as possible a dynamic competition among efficient enterprises. However, we are also called to favour a sustainable growth destined to last in time. It is not a “residual” task, but it is connected to a common and general aim: to carry out “structural reforms” not only because Europe requires this from us, but also and especially due to the need to make the Italian economy more competitive and solid for the workers’ advantage.