



Annual Report 2002



Konkurransetilsynet
Norwegian Competition Authority



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The Norwegian Competition Authority's role and tasks

The primary task of the Norwegian Competition Authority is to enforce the Norwegian Competition Act for the benefit of consumers and society.

- The Act gives the Norwegian Competition Authority a mandate to intervene against businesses which abuse their market power or in other ways conduct their operations in a manner liable to restrict competition in the markets.
- The Norwegian Competition Authority is an independent public body empowered to evaluate public schemes and regulations and to call attention to anti-competitive practices.

A key objective for the Norwegian Competition Authority (NCA) is to be a user-oriented service perceived as an authority in competition matters and to have a reputation as professionally competent, dynamic, efficient, problem-solving and service-minded.

In its day to day work, the NCA takes special care to provide clear, straightforward information and correct incentives to market players, to the benefit of consumers, trade and industry, and the public sector.

The Ministry of Labour and Government Administration provides the framework for the work of the NCA, and is the appellate authority for the NCA's decisions.

The NCA's operational activities consist of two market monitoring departments and one corporate investigation department. Each market monitoring department is responsible for its own trades and industries and supervises them continually, while the corporate investigation department works in a more action-oriented manner.

The NCA also has an executive staff which deals with the coordination of legal and economic evaluation projects. The executive staff is also responsible for coordinating international activities and for the Authority's information and communication work. The Authority has a total of 119 employees.

The Norwegian Competition Authority was established on 1 January 1994, at the same time as the Competition Act and the Price Policy Act came into force in Norway. However, the history of the price and competition authorities in Norway stretches right back to the outbreak of World War I. You can read more about the history of the Authority on the Internet at:
www.konkurransetilsynet.no.

**SOCIETY'S RESOURCES
SHOULD BE USED AS
EFFICIENTLY AS POSSIBLE**

**IN MOST CASES, COMPE-
TITION IS A MEANS TO
THIS END**



«Production also increased in 2002, not least as regards the number of written expert opinions and advocacy proposals to public authorities.»

«Competition policy is strengthened»

The conclusion of the OECD's country review for Norway, published in autumn 2002, was that «Competition Policy is Strengthened»!



Director General
Knut Eggum Johansen

The OECD review was referring to the successful reorganisation which took place in 2001, when the Norwegian Competition Authority's regional apparatus was phased out and operations concentrated at the head office in Oslo. Staffing levels were reduced by a third in 2001, while at the same time production in core areas increased. The Authority's intervention against Statkraft's acquisition of the power companies Agder Energi and Trondheim Energiverk, and the measures taken to strengthen competition in domestic air traffic, were emphasised as particularly positive in the OECD review.

After many years of uncertainty associated with localisation and the 2001 reorganisation to form a new Competition Authority, 2002 was a year of consolidation and stabilisation of the organisation. The Authority recruited both lawyers and economists with high expertise and relevant experience. Staff turnover was reduced to approximately 11 per cent, roughly in line with the average for government employees. Production also increased in 2002, not least as regards the number of written expert opinions and advocacy proposals

made to public authorities. The Competition Authority also handled several very large and demanding intervention cases.

Of measures taken against anti-competitive practices, the interventions against the loyalty programmes of SAS and Telenor Mobile attracted considerable attention. With regard to mergers and acquisitions, the most important interventions were against the Tine dairy concern and the Statkraft electric energy concern.

In 2002, the Competition Authority investigated a number of serious cartel cases and uncovered illegal collaboration. These investigations led among other things to four large contractors being reported to Økokrim (Central Unit for the Investigation and Prosecution of Financial and Environmental Crime) for serious breach of the prohibitions on price collaboration, collusive tendering and market sharing.

In 2002, the Competition Authority was successful in bringing the competition problems in air traffic onto the European agenda. Shortly after it became known

in May 2001 that SAS wanted to acquire Braathens, the Authority launched the idea of setting up a Nordic working group to look into problems of competition affecting air traffic in the Nordic countries. The report of the Nordic Task Force on Airline competition is now providing the basis for further studies by a European group, in which the European Commission, the EFTA Surveillance Authority and national competition authorities in the EEA are taking part.

Work on EEA-related matters and problems also demanded considerable effort on the part of the Competition Authority in 2002. This was particularly the case as regards the process of preparing to implement and enact the EU's modernisation reforms in the EEA Agreement and in Norwegian law. A key element in that respect was the negotiations with the European Commission on decentralised enforcement of competition rules in the EEA Agreement.

The work of drafting a new Competition Act by the publicly appointed Competition Act Committee involved the Competition Authority in extensive secretariat duties. The Committee has now presented its recommendations in the report NOU 2003: 12 New Competition Act, 9 April 2003.

In 2002, the Competition Authority gave emphasis to following up the Government's action plan for competition policy. The five main elements of the action plan are:

- to strengthen the competition authorities.
- to review public regulations and schemes which may restrict competition.

- to ensure that government/public procurement initiatives enhance competition and access to the market.
- to ensure that privatisation of public corporations does not contribute to restricting competition or to the formation of monopolies.
- to ensure that the public sector is organised and run in a manner that promotes competition.

New challenges

White Paper No. 22 (2001-2002): "Less and better state ownership" indicates that the Government believes that the sale of state-owned enterprises should as a main rule be made subject to competition law. The White Paper also states that in order to aid competition it may be appropriate to split up such enterprises before the individual parts are fully or partially privatised:

«In view of the role they perform, the competition authorities will be in a current position to request that the owner authority or the Government consider dividing up fully state-owned enterprises on competition grounds, even if there is no intention to privatise the enterprise.»

This may be perceived as amplification of the Competition Act, section 2-2 d), which states that competition authorities shall «call attention to the restraining effects on competition of public measures, where appropriate by submitting proposals aimed at increasing competition and facilitating entry for new competitors».

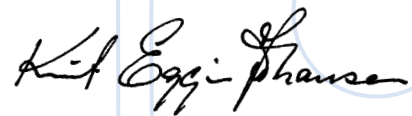
Up to now, the main rule has been that such calls for attention or observations by the Competition Authority under section 2-2 d) have been addressed to the Ministry of Labour and Government Administration which, after having considered the matter on an independent basis, has then taken up the matter

with the relevant ministry. In the funding allocation notice for 2003, the Ministry has decided that in future the Competition Authority may raise such matters directly with the ministry concerned. This may help give the Authority a more active role as an instigator in relation to reforms in the public administration.

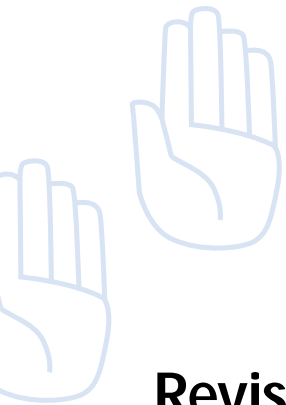
Since the Government presented its decision on moving government supervisory authorities out of Oslo, active effort has gone into making conditions right for ensuring that the organisation retains its focus on its core activities, while at the same time developing and preparing the necessary reorganisational measures. In 2002, the Competition Authority prepared a new strategy aimed at a common understanding of objectives and measures relating to competition policy. This work will be resumed when the Storting (Parliament) has finished debating White Paper No. 17 (2002-2003) on government supervisory authorities.

The Competition Authority's annual report bears witness to the broad scope of its activities. In addition to exhibiting important individual cases in 2002, the annual report provides an overview of the state of competition in the following markets:

- Aviation
- Electric power
- Agriculture
- Financial services
- Pharmaceutical products
- Mobile telephony



Oslo, April 2003
Knut Eggum Johansen



« *A particular challenge lies in formulating appropriate means of control and sanctions to ensure effective enforcement of, and compliance with, the competition regulations.* »

Revision of the Competition Act

On 24 November 2000, the Government appointed a public committee to review Norwegian competition legislation and present proposals for new competition regulations by 1 April 2003. The committee is chaired by Professor Hans Petter Graver. The Norwegian Competition Authority is represented on the committee and is responsible for secretariat duties.

■ The reasons given for needing a broad review of competition legislation included, among other things, experiences with the current Competition Act and the EEA's competition legislation, and the developments in EU and EEA competition policy in recent years.

The Competition Law Committee's initial recommendations presented on 6 July 2001 proposed that Norwegian competition authorities be empowered to enforce the prohibitions on anti-competitive concerted practices and abuse of market power in Articles 53 and 54 (decentralised enforcement) of the EEA Agreement.

The Competition Law Committee also recommended that a new Norwegian Competition Act should contain prohibitions on concerted practices and abuse of market power, on the pattern of Articles 53 and 54 of the EEA Agreement. This implies a change from a combined prohibitory and interventionary regime to a purely prohibitory regime.

A particular challenge lies in formulating appropriate means of control and sanctions to ensure effective enforcement of, and compliance with, the competition regulations. The Committee will probably not recommend

precluding the possibility of imposing personal penalties in cases of gross and serious infringements of the regulations. The Committee will consider proposing whether, in addition, civil law penalties should be introduced according to a system of fines, where the Norwegian Competition Authority has the burden of bringing a civil action if the fine is not accepted.

In its main report the Committee will consider whether there is a need to change the current rules on intervention against corporate mergers. The Committee will also consider proposing the introduction of a ban on the implementation of mergers which it is assumed will be detrimental, which would prohibit the parties from integrating the enterprises before the authorities have had the opportunity to consider the case. In addition, the Committee will consider proposing the introduction of a regulatory instrument authorising the Government to establish a notification obligation for mergers of a certain size.

The Committee has been asked in its mandate to propose an alternative to the current appeal system, whereby as a main rule the Ministry of Labour and Government Administration would no longer be the appellate authority for the Competition Authority's

decisions. The Committee will propose setting up a Competition Commission to act as the appeal body for decisions made by the Authority. To ensure the possibility of political control in individual cases, the Committee will also consider the introduction of an arrangement whereby the Government can in certain cases raise issues on its own initiative.

The Competition Law Committee has 13 members. The Competition Authority is represented by its former legal director, Elisabeth Roscher, and also acts as the secretariat for the Committee, with two experienced lawyers and an experienced economist.

Tough on infringements of the Competition Act

Uncovering infringements of the rules in the Competition Act prohibiting price collaboration, collusive tendering and market sharing is a field of priority for the Norwegian Competition Authority. The Authority reported four cases to Økokrim in 2002.

■ Illegal cartels constitute a serious threat to efficient markets. Cartels are a form of collaboration between companies on prices, market sharing or tenders which favour the collaborating parties to the detriment of other companies and consumers. For example, illegal cartel collaboration often results in increased costs for consumers and companies which comply with public rules and regulations.

Demanding processes

Fighting cartels demands effective enforcement of the competition regulations. Cartel cases are normally highly demanding in terms of the amount of work involved, both with regard to the actual investigation and the legal follow-up. It is becoming steadily more difficult to find sufficient evidence that the law has been infringed. The Competition Authority is therefore completely dependent on good tip-offs, on the rules in the Competition Act regarding duty of disclosure, on examining and securing evidence, and also on having experienced expert investigators.

Close cooperation with Økokrim

Relations with the public prosecuting authorities are also of the utmost importance. The Competition Authority works closely with Økokrim (Central Unit for the Investigation and Prosecution of Financial and Environmental Crime) through regular contact meetings and by providing assistance in reported cases. For example, the Authority works closely with the police's computer crime centre within Økokrim on investigating electronic traces. This ensures a highly competent and cost-effective investigation.

International cartels

The Competition Authority is increasingly directing its focus at international cartels. The Authority cooperates actively with the competition authorities in other countries, and assists the EFTA Surveillance Authority and the European Commission in combating cartels. At the request of the European Commission's cartel unit, in 2002 the Authority organised a closed seminar on investigation methods, with particular focus on interviewing techniques. The Commission has little experience of this type of work. The Authority also held a seminar for Nordic cartel investigators on interviewing techniques and investigation of electronically stored information.

Deference effect

Measuring the effects and the effectiveness of control and supervisory operations is not easy. It is, however, a fact that the prohibitions laid down in the Competition Act and the Authority's activities have gradually become well known among companies and their legal advisors. It is important that they know that the Competition Authority will follow up on indications of serious infringements of the law with the necessary weight and force.

The fines in criminal cases against cartels are among the highest fines imposed in Norway. The Competition Authority's control and supervisory activities, therefore, have an extremely important preventive effect. The Authority continues to regard it as essential to devote increased efforts to uncovering cartel operations, and to aim for more rapid sanctions with a higher level of penalties.



Securing evidence and obtaining statements

Pursuant to the Competition Act, section 6-1, in 2002 the Norwegian Competition Authority obtained information by conducting controls and taking statements from a number of undertakings and individuals. Evidence was also secured in four cases under section 6-2 of the Act, following an order made by a court of examination and summary jurisdiction.

In total, ten decisions were issued to secure evidence at individual companies and five decisions to secure evidence in private homes. With one exception, all the decisions relating to companies were implemented, but only two relating to private homes. This is in line with practice in previous years. All in all, 129 formal statements were taken in the matters being investigated, in addition to a series of contact meetings held and informal interviews with sources and persons providing tip-offs.

The control operations were carried out in line with our own guidelines designed to ensure that case handling is efficient in all parts and phases and in line with provisions guaranteeing the due protection of the law.

In 2002, evidence was secured at asphalt contractors (January), producers of flour for human consumption (March), building and construction contractors (June) and a chemical industrial plant (November). The asphalt contractors and flour producers have been reported to Økokrim, while the other two cases were still under investigation by the Authority at year-end.

At the initiative of the Competition Authority, the securing of evidence at Odda Smelteverk AS in November was conducted parallel to the investigation of its German competitor, Degussa/SKW Trostberg, by Bundeskartellamt, the German competition authority. The background for this action was that the Competition Authority wanted to clarify whether there had been an infringement of the prohibition on price collaboration and market sharing laid down in the Competition Act. The matter was still under investigation at year-end.

« *Altogether 99 cases of infringement of the prohibitions in the Competition Act were dealt with in 2002.*

Reported cases in 2002

Altogether 99 cases of infringement of the prohibitions in the Competition Act were dealt with in 2002. Four cases (asphalt contractors, hotels in Bergen, flour producers and transport companies) were reported to Økokrim, which at year-end still had these matters under investigation. 92 cases were concluded with an enjoinder to comply with the provisions.

■ In connection with the investigation of one case, a lawyer was reported for infringement of Section 128 of the Norwegian Penal Code, for having made threats against a public servant. While securing evidence, some of the Norwegian Competition Authority's employees received threats that they would be reported to the police and that a personal claim for damages might be brought against them if they did not refrain from conducting the controls they had been ordered to carry out. The report is being investigated by the prosecuting authorities.

The cases reported in 2002 comprised:

Three hotels and the Hotell-gruppen chain in Bergen

In May, the Competition Authority reported the Bergen hotels Radisson SAS Hotel Norge AS, Radisson SAS Royal Hotell AS and Augustin Hotel AS, as well as Hotell-gruppen, to Økokrim. The alleged offence was illegal collaboration with intent to raise the prices of hotel services in Bergen and the exchange of price and capacity information in that connection. The collaboration began in 1995 and went on until the Authority carried out a control in spring 2000.

Hotell-gruppen in Bergen was reported for having encouraged the alleged illegal collaboration.

Asphalt contractors

In July, the Competition Authority reported Skanska Asfalt AS, Lemminkäinen Norge AS, Kolo Veidekke AS and Oslo Vei AS to Økokrim for infringement of the prohibition on price collaboration, collusive tendering and market sharing. In addition, NCC Norge AS was reported for infringement of the market sharing prohibition.

The collaboration comprised price-fixing on stone mastic asphalt, collusive tendering/project collaboration in eastern Norway, and market sharing/customer division on a nationwide basis for all or some of the period from 1997 to 2001. The companies taking part in the price-fixing collaboration on stone mastic asphalt and collusive tendering/project collaboration in eastern Norway were Skanska Asfalt AS, Lemminkäinen Norge AS, Kolo Veidekke AS and Oslo Vei AS. With regard to the nationwide market sharing collaboration, NCC Norge AS also took part, while Oslo Vei AS, which only operates in Oslo, was not involved.

Flour producers

In September, the Competition Authority reported Cerealia AS and Norgesmøllene DA to Økokrim for price collaboration. Two persons were also reported. The collaboration between the only two producers of flour concerned a warning of a price increase in the autumn of 2001 and a price increase carried out after the turn of the year 2001/2002.

Transport companies

In November, the Competition Authority reported the carriers Linjegods AS, NOR Cargo ASA, DFDS Tollpost Globe AS and Danzas ASG Eurocargo AS to Økokrim for collaborating on a specific tender for transport services made to a retail groceries supplier in spring 2001. The collaboration involved the introduction of a "pallet charge" for pallet trips.



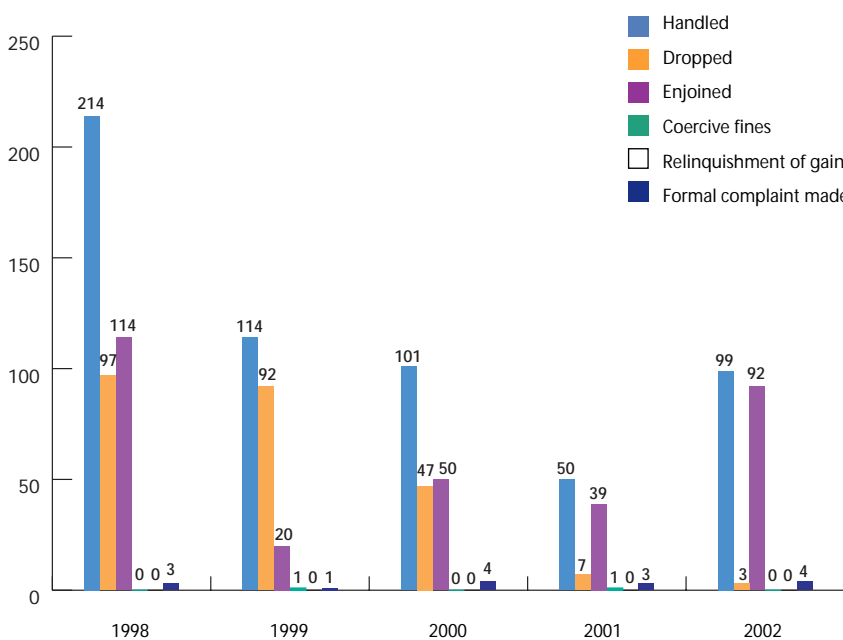
Electrical goods suppliers

In 2000, evidence was secured at four suppliers of radios, TVs and small electrical articles, following suspected infringement of the Competition Act. The investigations showed that Grundig Norge AS, Philips Norge AS and Sony Norge had influenced retailers' prices to consumers. This had, however, taken place some time ago. For that reason, the Competition Authority elected to content itself with a mild response, formally pointing out the infringement to the suppliers. This was announced to the companies in July 2002.

The Competition Act, section 6-1 – the duty to provide information and investigation:
 «All are required to give the competition authorities the information demanded by these authorities in order to perform their tasks in accordance with the Act, (...)»

The Competition Act, section 6-2 – securing of evidence:
 «When there are reasonable grounds for assuming that this Act or decisions pursuant to this Act have been infringed, the Competition Authority may demand access to real property, fittings and other movables in order to look for evidence. The competition authorities may confiscate such evidence for closer investigation if necessary. An application for permission to secure evidence must be submitted by the Competition Authority to the court of examination and summary jurisdiction. (...) The Competition Authority may require assistance by the police to implement the decision concerning the securing of evidence. (...)»

Cases concerning prohibition on price collaboration and supplier regulation





MEMBERSHIP NUMBER
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Major changes in

Norwegian air traffic

Prior to the start-up of Norwegian Air Shuttle AS in autumn 2002, the Scandinavian Airlines System (SAS) group had a virtual monopoly in the air traffic market. One of the most important steps taken by the Norwegian Competition Authority in 2002 to ensure competition in this market was to prohibit the collection of frequent flyer points on domestic flights.

IMPORTANT ISSUES:

- Prohibition on awarding SAS frequent flyer points on domestic flights.
- Norwegian Air Shuttle set up four permanent routes and won a contract with the Norwegian Government.
- Passenger tax was removed on 1 April 2002, and at the same time changes were made to the VAT system.
- A Nordic working group to promote competition in the air traffic market, chaired by the Norwegian Competition Authority, presented its report in June 2002.
- The Competition Authority took the initiative, in partnership with the German and Danish competition authorities, to set up a European working group. The group will propose measures aimed at achieving healthy, effective competition in the air traffic market throughout Europe.

The Norwegian Competition Authority considered the prohibition necessary in order to reestablish competition in the Norwegian air traffic market. Norwegian Air Shuttle (NAS) stated on several occasions that only if frequent flyer programmes were abolished would it be able to establish routes serving the Norwegian markets.

In September, NAS set up flights on four Norwegian domestic routes, from Oslo to Bergen, Stavanger, Trondheim and Tromsø respectively. These four routes represent approximately 40 per cent of the domestic aviation market, and NAS captured around 20 per cent of the traffic.

Competition in European air traffic

The Competition Authority was also in the driving seat of a Nordic task force appointed to look at competition in the air traffic market. After the group presented its report in June, the Authority took the initiative to set up a European working group charged with presenting proposals aimed at achieving healthy, effective competition in the whole of Europe.

« *In 2002, more than 10 million passengers travelled on the Norwegian domestic network.*

No frequent flyer points on domestic flights

In March, the Norwegian Competition Authority prohibited SAS, Braathens and Widerøe from awarding frequent flyer points on domestic flights. The Authority believed this action to be essential in order to ensure competition in the Norwegian air traffic market.

■ The existing frequent flyer programmes had the effect of binding customers to the companies concerned, making it extremely difficult for new players to start up business on individual routes.

With frequent flyer programmes, customers get the biggest benefits when they concentrate their purchase of air tickets to one company or alliance, thus creating loyalty to one specific alliance. Price, quality, service and other competition factors

are then less important. The detrimental effects are particularly great when players with high market share operate loyalty programmes. At the beginning of 2002, the SAS group had a virtual monopoly in the Norwegian domestic market.

The system of accumulating and redeeming bonus points is organised so that it favours companies offering many destinations. Where one company has a large network, customers earn bonus points more

quickly, while at the same time a free flight will have greater value for customers if they can choose between several destinations.

The Competition Authority's determination was appealed to the Ministry of Labour and Government Administration, which upheld it. The regulation came into force on 1 August 2002.

“The Competition Authority considered the prohibition on frequent flyer points essential in order to create competition once more in the Norwegian air traffic market.”



The Government chose NAS

In connection with a new government framework agreement for air travel, the Competition Authority pointed out that tenders should be invited separately for each of the major domestic and foreign routes. In June, the Government signed a contract with Norwegian Air Shuttle for the four routes the company operates. The contract was estimated by the Government to be worth between NOK 250 million and NOK 300 million to the airline, with about 170,000 government employees travelling annually on the routes where NAS started flights.

Even though NAS took the decision to start up operations independently of the government contract, there is no doubt that it made it easier for the company to gain a foothold on the routes in question.

Passenger tax removed

The airline passenger tax was removed on 1 April 2002, after the Competition Authority had several times called attention to the fact that the removal of this tax was important for maintaining competition in Norwegian air traffic.

The tax, NOK 128, was introduced in April 2001 because the EFTA Surveillance Authority concluded that the existing tax regime was in violation of the EEA Agreement. The new tax hit all the airlines flying the taxed routes with equal force. The tax had a dampening effect on the demand for air travel, and made it less attractive for new companies to enter the market. At the same time, low-cost airlines were hit hardest by the tax.



About the air transport industry

The air traffic markets were gradually deregulated during the 1990s. There are now no formal restrictions preventing a carrier from an EEA Member State from setting up operations on Norwegian domestic routes. In the Norwegian domestic market there are no real capacity restrictions either.

Most airlines operate a network of routes based on the «hub-and-spoke» system, in other words networks with routes radiating from a central node («hub»). The system implies a reduction in the number of direct routes required to serve all pairs of destinations, and the average traffic density on individual routes increases. Also with regard to quality, companies which organise their operations using the «hub-and-spokes» system may have competitive advantages by virtue of the far greater frequency of departures they can offer and the selection of destinations they serve.

A positive consequence for air passengers is greater flexibility, in terms of choice of routes, times and airlines. However, the «hub-and-spokes» system also leads to longer waiting times when transferring flights, and with relatively short distances the waiting time takes up a relatively large proportion of total travel time.

The network dimension can create problems of competition in the form of greater opportunity to exploit market power and to cross-subsidise between routes, particularly in relation to low-cost companies, most of which do not operate with such networks.

VAT on ground services

The Norwegian Competition Authority believes that all airlines should face a level playing ground when it comes to purchasing ground services. Today, companies buying these services externally must pay 24 per cent VAT, while companies producing the services within their own group are not subject to VAT.

■ This problem arose when the rules on VAT were amended on 1 April 2002. The changes led to major obstacles to business establishment in the air traffic market.

Restrictions on competition in the ground services market appear to be of importance for new entries into the air transport market. Potential players must either set up their own production of ground services or buy them from others. In-house production is economical for smaller airlines.

The Competition Authority drew the attention of the Ministry of Labour and Government Administration to this matter, and the Ministry of Finance has given notice that it will be considered in the state budget for 2004 whether all or some of the air passenger transport services should be reincorporated in the VAT system, so that input VAT becomes deductible.

Airport charges

In an expert opinion submitted to Avinor (formerly Norwegian Civil Aviation Administration), the Competition Authority stated that the airport charges should be altered so as to promote greater economic efficiency and competition.

Such a reorganisation will probably mean lower charges in the less busy airports and higher rates on the busier ones. Airport taxes may vary with the scope and quality of the airport services offered, and rates may vary over the day with the congestion level.

The Competition Authority believes that this can provide stimulation for new business start-ups and competition between airlines, and that airport capacity will be better utilised.

«Since SAS acquired Braathens, the SAS group probably has a bigger 'home market' (Scandinavia) than any other European airline.

Competition in Norwegian and European air traffic

In June 2002, a Nordic task force presented the report «Competitive Airlines – towards a more vigorous competition policy in relation to the air travel market». The report contained a number of proposals on how competition in the air could be strengthened.

■ The task force consisted of representatives from the Nordic competition authorities. The report highlighted various factors which restrict competition in Nordic and European aviation. The task force warned that competition can be weakened further if national and European competition authorities fail to pursue an active and vigilant policy in this area.

The working group emphasised five areas in particular which are especially important for the degree of competition in the air travel market:

- Measures to combat predatory pricing and other abuse of market power
- Measures against frequent flyer programmes
- Control of mergers and alliances
- More efficient routines for slot allocation (landing rights)
- Restrictions on the price cooperation between airlines

Air traffic on the agenda in Europe

At the initiative of Denmark, Germany and Norway, the European competition authorities have agreed that the Nordic report should be followed up

with a broader European initiative.

The network and cooperation forum European Competition Authorities (ECA) decided to set up a working group to look into competition in European air traffic. The ECA is a body representing the competition authorities in the EU/EEA. The ECA's working group is chaired by the German competition authorities (Bundeskartellamt) and focuses on the most important problems emerging from the Nordic working group's report.

To ensure the flow of information in matters important to several of the countries involved, the group has agreed on a system for exchange of information on events and decisions to do with competition in the air traffic market.

Bilateral air traffic agreements

The European Court of Justice decided that bilateral agreements concerning flights from eight European countries to the USA infringed European law. The Court concluded that some parts of these

agreements fell within the exclusive competence of the EU.

With bilateral agreements, the two countries' «flag airlines» often get more or less exclusive air traffic rights between the two countries. These rights can be lost if a company merges with a foreign company. This may explain the widespread practice of alliances rather than mergers in European air traffic.

A development whereby individual countries are unable to conclude separate bilateral agreements may provide stimulation for a considerable wave of mergers in European air traffic. The competition authorities must therefore ensure that the number of airlines is not too small and that market sharing does not become even more of a feature than it is today.

Although the Court's judgments partly upheld the European Commission's claims, the situation surrounding the bilateral agreements and the competence to conclude them has still not been completely clarified.



Continued work in air traffic

In the future, the Norwegian Competition Authority will work to reduce barriers to entry in aviation and to promote healthy competition between existing players.

The Competition Authority is reviewing the airlines' corporate client agreements. These agreements can create loyalty to a particular company and thus tend to restrict competition in the air traffic market. The Authority is considering whether to carry further a determination dating from 1997 prohibiting SAS and Braathens from concluding exclusive sole supplier agreements with their customers.

The airlines are required to report data on prices, costs, capacity and similar to the Competition Authority. This information is necessary in order to determine whether price strategies such as "predatory pricing" are being used which will be detrimental to competition in the long term.



SAS dominates in the Nordic countries

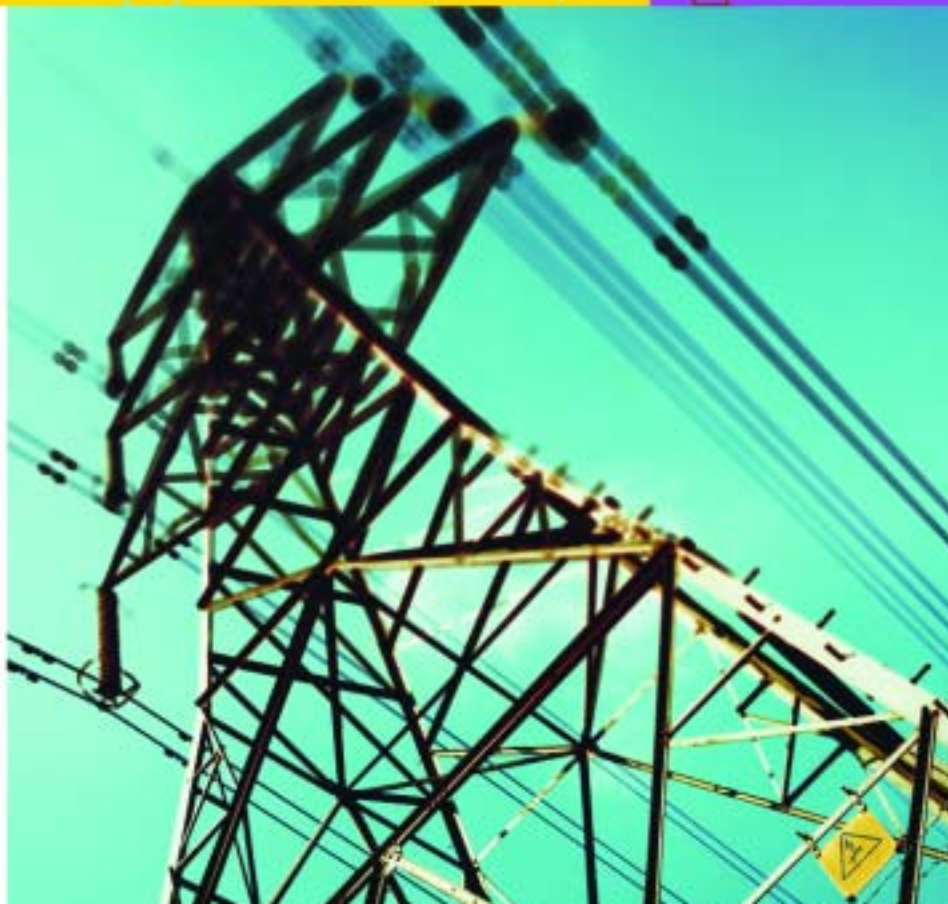
Since SAS acquired Braathens, the SAS group probably has a bigger «home market» (Scandinavia) than any other European airline, with about 35 per cent of its activities in the home market. In 2002, over 10 million passengers travelled on the Norwegian domestic network. Traffic volume on the largest Norwegian domestic routes is equal to that on important routes in Europe, such as London – Rome, Paris – Madrid, and London - Madrid.

SAS acquired the rest of Widerøe

SAS acquired the rest of the shares in Widerøe Flyveselskap ASA in 2002. As SAS already owned 63 per cent of the shares in Widerøe, the Competition Authority found no grounds for halting the purchase of the remaining shares.



 **Høyspenning
Livsfare**



Free flow of power

Electric power is an important good for society and the individual, even though electricity has been regarded as a product of little interest as long as we have had virtually unlimited supplies of this resource in Norway.

IMPORTANT ISSUES:

- In 2002, the Norwegian Competition Authority devoted particular attention to competition in the power wholesale market.
- The Competition Authority prohibited Statkraft from acquiring 45.5 per cent of the shares in the power company Agder Energi AS and the production operations of Trondheim Energiverk AS. Following an appeal, the Ministry of Labour and Government Administration approved the acquisition subject to stringent conditions.
- The Competition Authority prepared a report on the power market.
- Rising prices in the power market in autumn 2002 led to a huge increase in the number of visitors to the Competition Authority's website page providing an overview of electricity prices.

The Norwegian Competition Authority has devoted a great deal of attention to the electric power markets since Norway's new Energy Act came into force in 1991. As a result of the Energy Act, the production and sale of electricity, formerly subject to a high degree of regulation by the authorities, is now based on market principles.

The production, transmission and sale of power can be divided up into different markets which influence each other to a greater or lesser extent. The Competition Authority has judged it correct to differentiate between the power wholesale markets, financial power-derivatives, transmission of power, and sales of power to end-users. There is also the regulating power market, controlled by the authorities, which ensures equilibrium at all times between power production and consumption. The Competition

Authority in principle supervises competition in all these markets. In the past few years, the Authority has devoted particular attention to competition in the wholesale market.

« *The four largest players in the Nordic countries are as a whole responsible for almost 57 per cent of electricity production.*



“The Norwegian Competition Authority is concerned about the competitive situation in the wholesale power market and will continue to monitor developments closely.”

Nordic market with major players

In the wholesale market, trade is conducted between power producers and big power purchasers such as energy companies, power traders and major end-users. There is a single, joint Nordic market in which players from Denmark, Finland, Norway and Sweden take part. Large volumes of power are bought and sold in this market, either over the Nordpool power exchange or through contracts concluded by market players.

■ Because of capacity restrictions in the transmission grid, the Nordic power market is normally divided into six price areas. There are two price areas in Norway: one in southern Norway and one covering central and northern Norway. In certain periods, the individual price areas can function as separate markets. A dominant player within one price area will be able to exercise market power in periods when there is great pressure on the transmission grid.

No to Statkraft acquisition

The Norwegian Competition Authority believes that Statkraft is now of such a size in southern Norway and in central and northern Norway that the limit has been reached for what is permissible in view of competition in the Norwegian parts of the wholesale market. The Authority therefore prohibited

Statkraft from acquiring 45.5 per cent of the shares in Agder Energi AS and the production operations of Trondheim Energiverk AS (TEV). Following an appeal, the Ministry of Labour and Government Administration approved the former acquisition subject to stringent conditions. The appeal against the Authority's intervention against the purchase of TEV's production operations was not allowed.

Nordic working group

In connection with these determinations, concern was also expressed about the competitive situation in the Nordic wholesale power market. Nordic competition authorities have now appointed a working group to look at the need for better coordination of competition policy in the Nordic power market.

Ownership and cross-ownership

The four largest players in the Nordic countries are as a whole responsible for almost 57 per cent of electricity production. The Swedish Vattenfall company accounts for 21 per cent of total production, the Finnish company Fortum/Birka Energi for 15 per cent, the Norwegian Statkraft alliance for 14 per cent and Sydkraft for 7 per cent.

The Statkraft alliance consists of joint venture partners in which Statkraft has major shareholdings. As well as Statkraft, the alliance includes Agder Energi, BKK (Bergenshalvøens Kommunale Kraftselskap), Skagerak Energi and Trondheim Energiverk. Statkraft also owns 44.6 per cent of the shares in Sydkraft. The remaining 55.4 per cent of Sydkraft shares are owned by the German energy group E.ON.

The power industry is characterised by cross-ownership at various levels. Many power producers have stakes in other power producers, and many power stations are jointly owned by different power producers.

Cross-ownership can limit competition in several ways. The incentives for power producers to compete are reduced. Cross-ownership and systems of jointly owned production facilities also result in players having shared meeting points in various arenas. Producers acquire information on each others' behaviour in production management of individual power stations, and they need to hold meetings to plan the operation of power stations and regulating facilities. Such exchanges of information between power producers can allow players to learn how other players in the same watercourse system are behaving. This information can reduce competition if the companies are able to coordinate their strategies, but without there being any agreement to do so.

The Norwegian Competition Authority considers the widespread crossownership among power producers in Norway a detrimental to competition.

Tacit collaboration

The power market has several characteristics which indicate that players can be successful in maintaining tacit collaboration and therefore higher prices. Since bottlenecks or congestion are often conducive to dividing the Nordic market into several price areas, concentration and competition restraints may be greater than suggested by market shares viewed in isolation.

Hydroelectric power producers with reservoirs are capable of regulating production to a considerably greater degree than other types of power

producers. This enables hydropower producers to exercise market power with substantially lower market share than normal.

The extent of cross-ownership among other power producers reduces the incentives for major players to compete aggressively.

Competition in the future

The Norwegian Competition Authority is concerned about the competitive situation in the wholesale power market and will continue to monitor developments closely. The cooperation with other supervisory authorities in Norway and the Nordic countries will result in the overall supervision of the power market being done as expediently and effectively as possible.

“The power industry is characterised by cross-ownership at various levels.”

« *The characteristics of the power market indicate that conditions are conducive to tacit collaboration.*

Close monitoring of Statkraft's acquisitions

During 2002, the Norwegian Competition Authority considered several cases where Statkraft had acquired stakes in other Norwegian power companies. It has always been understood that the Authority would monitor Statkraft's acquisitions closely, and it was based on this assumption that in 2001 the Storting gave Statkraft funding of NOK 16 billion.

■ In March 2002, the Norwegian Competition Authority prohibited Statkraft from acquiring 45.5 per cent of the shares in Agder Energi. When Statkraft bought Trondheim Energiverk (TEV), its largest competitor in central and northern Norway, Statkraft was ordered to dispose of TEV's production operations or sell off other power production in the area.

The Competition Authority's intervention against Statkraft's acquisitions of Agder Energi and Trondheim Energiverk were both appealed to the Ministry of Labour and Government Administration. In October, the Ministry gave Statkraft permission to implement the purchase of Agder Energi, albeit subject to stringent conditions. Statkraft is required to sell its 20 per cent stake in Norway's second largest power producer, E-CO Vannkraft AS (formerly Oslo Energi).

The 49 per cent stake in Hedmark Energi AS must also be sold to an independent third party. This should make market entry possible for one or more significant players capable of competing with Statkraft in southern Norway.

In February 2003, the Ministry decided to uphold the Competition Authority's intervention in the case of Trondheim Energiverk. Statkraft was, however, given a long deadline to sell the production operations in central and northern Norway.

In considering these mergers, particular attention was paid to competition in the Norwegian markets concerned. There is now concern regarding the possibility of maintaining effective competition in the Nordic markets as well.

Emphasis was given to Statkraft's

market shares in production and reservoir capacity. Following the acquisition of shares in Agder Energi, Statkraft and its partners in the Statkraft alliance would have controlled 47 per cent of the total power production and 52 per cent of the reservoir capacity in southern Norway. After acquiring Trondheim Energiverk, Statkraft would have controlled 54 per cent of total power production and 58 per cent of reservoir capacity in central and northern Norway.

Importance was also attached to Statkraft's advantage in terms of information in relation to its competitors, the fact that the extent of cross-ownership provides little incentive to compete, and that the characteristics of the power market indicate that conditions are conducive to tacit collaboration.

In the Competition Authority's view, the efficiency gains likely to be won from the acquisitions in question were insufficient to off-set the socio-economic loss in terms of restricting competition.

The Competition Authority did not believe there were grounds to intervene when Statkraft increased its stake in Bergenshalvøens Kommunale Kraftselskap (BKK) from 26 to 49.9 per cent. Nor was there deemed a basis for stopping Skagerak Kraft from acquiring four power plants on the Kragerø watercourse. Skagerak Kraft is owned by Skagerak Energi, in which Statkraft has a 66.6 per cent holding.

To enable the Competition Authority to effectively supervise the structural developments in the power industry, the Statkraft alliance, represented by Statkraft, Agder Energi, Skagerak Energi and BKK, was in January 2003 ordered to notify all acquisitions of power plants in southern Norway.

The consideration of Statkraft's acquisitions demanded very large resources. In addition to the Competition Authority's own resources, external expertise was enlisted to prepare a research and survey report into the power market. Consultants with special expertise in competition in the power market were also engaged. The reason for the use of such major resources was the great socio-economic importance of the acquisitions involved and the complexity which is a feature of these markets.

«An increasing number of consumers are active and changing suppliers»



Big competition for price-conscious consumers

In the Norwegian Competition Authority's opinion, competition in the end-user market for household electricity is functioning satisfactorily. There are many suppliers in the market competing with one another, and the costs to new suppliers of setting up a business are low. An increasing number of household consumers are active and changing suppliers.

Electricity prices on the Internet

To make it easier for consumers to find their way around the electricity market, since 1998 the Competition Authority has published a regular overview of electricity prices on its website. This service attracted a great deal of attention in 2002 – a positive development, since it helps make consumers aware of the options open to them. Price-conscious consumers are necessary in order for competition to work as it should.

The autumn of 2002 saw a big jump in electricity prices, with prices to household consumers reaching record levels. In December most power suppliers were operating with prices of around 100 øre (NOK 1) per kWh. These price rises led to a huge increase in the number of visitors to the Competition Authority's website to compare electricity prices. Numbers rose from 15,000 visitors per month before the summer to over 150,000 visitors in January 2003.

A survey carried out by Norsk Gallup at the end of 2002 concluded that the Competition Authority's electricity price survey is well known to consumers. One in four electricity customers with Internet access has visited the website to compare the prices charged by different suppliers. The survey also showed that over 80 per cent of users had confidence in the survey. Many consumers had moved to a new electricity supplier after comparing prices. The electricity price base was upgraded in 2002 and will continue to be developed. Among other things, the upgrade means that the suppliers themselves will now input price changes directly via the Internet. The only monitoring done by the Competition Authority is to ensure that those suppliers which have been ordered to notify their prices actually do so.

The notification obligation, and therefore the price overview, covers only the product known as the «standard variable power price». Price comparisons of products must be based on products which are as similar as possible, and the other contract types offered by suppliers are not standardised. Besides, most Norwegian households, around 80 per cent, buy the standard variable power price product.

Adapting farming to market conditions

Within agricultural policy, the reasons for protecting farming from competition are to safeguard farmers' incomes, to preserve the cultural landscape, and to maintain the basis for a widespread distribution of population in Norway. It is, however, possible to attain these goals in a manner which only slightly impacts on competition and the workings of the market.

IMPORTANT ISSUES:

- During the year, the Norwegian Competition Authority was particularly focused on the dairy sector and on the players in meat and grain production.
- The merger between Tine Norske Meierier BA and the ten dairy companies in its cooperative was approved, albeit subject to certain conditions.
- In July, the Ministry of Agriculture sent out for consultation a proposal for a new milk market system.
- A new market system for grain was introduced on 1 July 2002, and Norske Felleskjøp was appointed as market regulator in the grain sector.
- The Competition Authority reported the flour producers Cerealia AS and Norgesmøllene DA to Økokrim for price collaboration.

In 2002, the Norwegian Competition Authority considered a number of cases connected with the market for agricultural products. The dairy sector in particular has come under scrutiny. It is one of the most heavily regulated sectors in farming and the least exposed to competition. There is therefore great potential for achieving socio-economic improvements.

Considerable resources were also expended in 2002 on considering cases – and following up previous decisions – relating to the grain and meat sectors.

Regulation and competition in the agricultural sector

Competition is weak in large parts of the agricultural sector in Norway. There are many reasons for this:

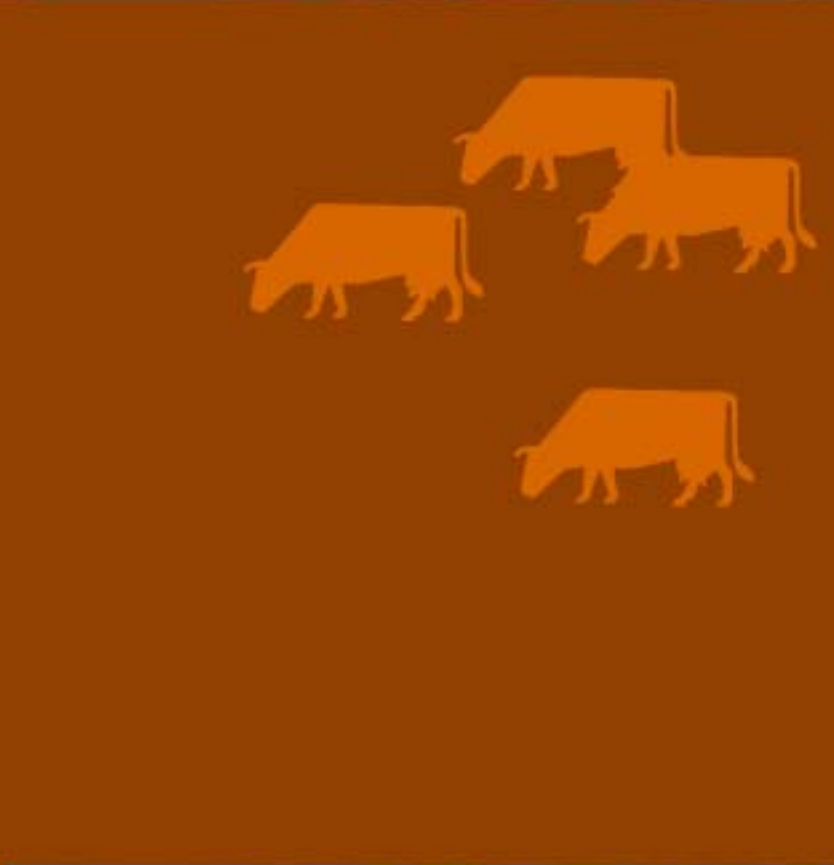
- Norway has a strong system of import protection which to a high degree shields national players from effective competition from imports at all stages of the value chain.
- Agriculture is a sector with many public regulations which present a barrier to competition. The shaping of agricultural policy helps create a situation for market collaboration among producers through the system of agricultural cooperatives. At the same time, the negotiations between the government and farmers on farming prices and subsidies have the effect of putting the markets partly out of action.
- In many cases, cooperatives limit competition by putting barriers in the way of new businesses being set up and restricting the opportunities for small competitors to grow.


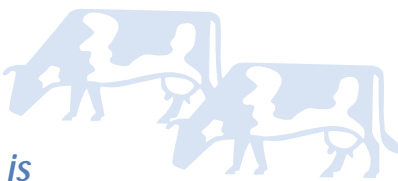

The result is that many agricultural products markets are characterised by a high degree of concentration. The cooperatives Tine BA, Norsk Kjøtt, Norske Felleskjøp and Prior Norge BA all have considerable market power. Greater competition in the domestic industry may help reduce prices and also make national players better equipped to meet increased competition from imports.

The Norwegian Competition Authority's measures

The Competition Act contains a separate exception for primary sales of agricultural products. Collaboration between the producers and their organisations with respect to the sale or supply of Norwegian agricultural products is exempt from the provisions in the Act prohibiting price collaboration and market sharing. The reason for the exception is the need to be able to implement the price provisions and regulations on which Norwegian agricultural policy is based. What should be considered as agricultural products within the meaning of the exception must be viewed in the context of agricultural policy.

The Competition Authority can, however, intervene against anti-competitive practices and corporate acquisitions in the agricultural sector. The Authority is also empowered to call attention to the restraining effects on competition of public measures, where appropriate by submitting proposals aimed at increasing competition and facilitating entry for new competitors.



« In a socio-economic perspective, a lack of competition is a disadvantage. It can lead to wasteful use of resources, higher prices and limited product diversity.

Competition-building in the dairy sector

The Norwegian Competition Authority sees it as an important task to protect the fragile competition being built up in the dairy sector. In the long term, it will help bring about greater efficiency, for the benefit of customers, consumers and society as a whole.

■ In recent years, attention has been called from several directions to the poor state of competition in the dairy products market. The Norwegian Competition Authority has been working in several contexts to analyse the effects of the extensive and complex regulations which govern the dairy sector. The Authority has also been involved in considering several cases associated with the practices of the dairy cooperatives, including the merger between Tine Norske Meierier and the ten dairy companies in the Tine cooperative.

Tine dominates

The market structure in the dairy sector is a concentrated one and Tine has a dominant position, which it can use to exercise market power over suppliers and customers. The establishment conditions for new players and the growth opportunities for existing players will reveal whether Tine actually uses its market power, for example in pricing vis-à-vis milk producers and customers.

Tine BA is a vertically integrated player. Its operations range from the purchase and collection of milk as a primary product, to the sale of processed

dairy products to shops and supermarkets and the food industry. The company has a dominant market position at all stages of the value chain.

Over 20,000 milk producers, or almost all the dairy farmers in Norway, own Tine BA and its subsidiaries. Through dairy farmers' close historical ties to, and ownership of, the dairy cooperatives, Tine has virtually absolute control of the key factor in the production of all types of dairy products, namely the raw material or primary product, milk.

Control over the primary product milk is strengthened through the milk quota system. The system sets an effective ceiling for the amount of «raw» milk that can be produced in Norway, and at the same time restricts the opportunities for establishing new dairy farms. The result is that Tine receives about 98 per cent of all milk supplied by the farmers.

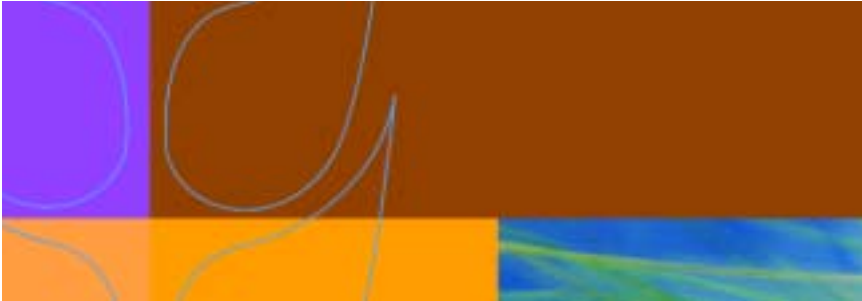
Although Tine's market shares vary in the processing stage of the chain, the company has a dominant position and market power in all the markets which make up the core areas of dairy production: milk for human consumption, cheese, butter and cream. Tine has

a wide range of some 600 to 800 products and benefits from strong brand loyalty from customers and consumers.

Two competitors

In the past few years, two relatively small competitors have become established in the dairy sector. The company Synnøve Finden produces cheese, and the Q-meieriene dairies produce milk for human consumption, yoghurt and sour cream. Synnøve Finden has no dairy farmers of its own attached to the business and therefore bases its operations on milk bought from Tine. The Q-meieriene dairies do have their own dairy farmers producing milk, but need to supplement that with deliveries from Tine.

Under the current regulations, Tine is obliged to supply its competitors with a certain amount of milk, but there has been considerable disagreement as to what prices and delivery terms should apply to sales of this kind. It has proven to be an extremely demanding task for the agricultural authorities to regulate Tine's pricing of «raw» milk so as to achieve properly functioning competition in the dairy products market.



Major merger in Tine

In October 2002, the Norwegian Competition Authority made a decision to intervene in the merger between Tine Norske Meierier BA and the ten Tine dairies. Permission was given to carry through the merger provided that Tine fulfilled a number of specific conditions aimed at remedying the anti-competitive effects of the merger.

The Competition Authority feared that a merger without conditions would lead to less pressure to improve efficiency, a narrower choice of products, and higher prices for Tine's customers and thus, ultimately, for consumers. Had the merger simply gone ahead, it would have given Tine even tighter control over the «raw» milk resource and would have made it even more difficult for other players to set up as real competitors to Tine. The merger would also have led to a further weakening of competition in the primary product and processing stages of the chain.

Prior to the merger, there was a certain amount of competition between the ten dairy companies in the Tine cooperative, not least potential competition. The local dairies had the possibility of breaking out of the dairy cooperative and setting up as independent competitors, possibly in an alliance with other players. The merger could have led to the potential competition and actual competition within the cooperative itself being eliminated permanently.

Conditions of the merger

In order to remedy the anti-competitive effects of the merger, Tine was required to fulfil a number of conditions:

- Sell or divest two of its dairy facilities: one in eastern Norway and one in central Norway.
- Supply the milk wanted by other producers of dairy products.
- Amend its articles of association, enabling milk producers to leave the cooperative faster.

The conditions imposed also oblige Tine to notify the Competition Authority of all future sales and closures of dairy facilities. All production facilities scheduled for closure must be made publicly available for sale, and Tine's competitors must not be discriminated against in the sales process. Finally, Tine is prohibited from setting up anti-competitive clauses preventing future owners from continuing to run a dairy business in the facilities sold.

Tine did not appeal the decision. It remains valid for another five years, and the Competition Authority will monitor the situation closely to ensure that Tine complies with the conditions.

«*There is reason to expect that the agricultural sector will gradually have to adapt to greater competition.*

“Under the current regulations, Tine is obliged to supply its competitors with a certain amount of milk.”



New market system for milk

In July, the Ministry of Agriculture sent out for consultation a proposal for a new market system for milk, drawn up by the Norwegian Agricultural Economics Research Institute (NILF) at the Ministry’s request. The Norwegian Competition Authority took part in the reference group for the report and also submitted a consultation document on the effects on competition of the proposal. At year-end, the proposal was still being considered by the Ministry.

■ The Norwegian Competition Authority takes a positive view of the fact that the Ministry of Agriculture is considering measures to promote competition in the dairy products market. NILF’s proposals represent a step in the right direction, although in the Authority’s view they do not go far enough. A more radical reform of the dairy sector is required. To create equal parameters for Tine and its competitors, it is not sufficient to patch up existing regulatory systems. Market mechanisms should be employed to a greater extent.

Supply of milk

An important pre-condition for making competition work in the processing stage of the chain is for Tine’s competitors to have access to milk as

a primary product. Milk supplies must be made available on the same market conditions as those under which Tine’s own dairy businesses operate.

Creating ownership separation between Tine’s primary product and processing businesses will be a good way of achieving this. NILF’s proposal to introduce accounting and administrative separation will not work as well.

If only accounting and administrative separation is introduced, it will be necessary to establish good routines for reporting, control and monitoring of Tine’s market behaviour. The regulatory authorities should also be allowed to impose sanctions against any breach of the basic assumptions, for example by imposing administrative fines.

Role of market regulator

Tine has been assigned the role of market regulator in the dairy sector. It is a disadvantage that a market player has been assigned such a task. Among other things, it may lead to one-sided access to information in this player’s favour. The responsibility for market regulation should be given to an independent body, for example the Norwegian Agriculture Authority.

The Competition Authority believes that the price equalisation system should be phased out. It is an exclusively Norwegian phenomenon. Phasing out this system will lead to prices and production being determined to a greater degree by market supply and demand.



Few players in the grain sector

The grain sector is marked by a lack of competition. Four regional joint purchasing organisations collaborate through Norske Felleskjøp. Together, they are a dominant player in the grain trade, production of concentrated cattle feed, and sale of operating equipment to farmers. Felleskjøpet Øst Vest acquired Norgesmøllene in January 2003 and has thus achieved a dominant position in the flour market.

■ A new market system for grain was introduced on 1 July 2002, and Norske Felleskjøp was appointed as the market regulator in the grain sector. As market regulator, Norske Felleskjøp is responsible for regulating the supply of grain in the market. The quantity supplied must be regulated so that the price of grain on average over the year is equal to the target price set in the farming subsidies and prices agreement.

The Norwegian Agricultural Authority is responsible for carrying out quota-based import protection. The import quotas are distributed at auction and can be traded. Tariff rates are set, so that the price of imported grain is raised to the Norwegian target price level.

When the new market system was introduced, the Competition Authority was critical of the fact that Norske Felleskjøp had been assigned the role of market regulator. Among other things, this will give the joint purchasing organisations a competitive advantage, as it will give them more information on market conditions than their competitors. The Authority takes the view that regulatory responsibility should lie with a neutral government body such as the Norwegian Agricultural Authority.

Stormøllen acquired by joint purchasing organisations

In February 2000, the Competition Authority approved the joint purchasing

organisations' takeover of the concentrated cattle feed business of Stormøllen AS and the acquisition of half the shares in Statkorn AS. Approval was, however, subject to several conditions, including the sale of two concentrated cattle feed facilities. Following an appeal to the Ministry of Labour and Government Administration, the joint purchasing organisations were ordered in March 2001 to sell one cattle feed facility in western Norway and one block of shares in a mill in Trøndelag. They were also ordered to sell production facilities as soon as any came up for closure.

The Competition Authority has followed up its decision closely in order to ensure that the organisations fulfil the conditions set to remedy the detrimental effects of the acquisitions. Experience shows that this is a time-consuming process. It took almost two years from the Authority imposing the requirement that facilities be sold, to the conditions finally being fulfilled. The Authority nevertheless considers it a priority to ensure that decisions are complied with, among other things to ensure that market players have respect for, and do not seek to retard, the decisions of the competition authorities.

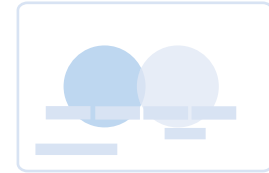
Following the acquisition of Stormøllen by the joint purchasing organisations, the Competition Authority has been concerned about the competitive

situation in the grain sector. When the joint purchasing organisation Felleskjøpet Trondheim wanted to buy Trønderkorn, the parties received signals that any acquisition would be subjected to a thorough assessment, with intervention as the probable outcome. It emerged later that the company decided not to go ahead with the acquisition partly because of the signals given by the Authority beforehand.

Illegal price collaboration between flour producers

In September, the Norwegian Competition Authority reported Cerealia AS and Norgesmøllene DA to Økokrim for price collaboration. The market for flour for human food production is very highly concentrated in Norway. Norgesmøllene and Cerealia, which were formed from the former Statkorn, are the country's only two producers of flour for human consumption.

The Competition Authority believes it has documentary evidence that the two producers collaborated to increase flour prices. This price collaboration brought about an increase in costs for industrial firms using flour in their products amounting to several tens of millions of Norwegian kroner in 2002. It was probably also the cause of increased prices on flour and flour-based products to consumers.



Rapid growth of new services

The banking, insurance and investment markets are undergoing change. The range of new products and services is growing rapidly, and the Internet is being used increasingly as a sales channel. New players with new products and services are entering the market.

IMPORTANT ISSUES:

- In 2002, the Norwegian Competition Authority surveyed the competitive situation in the banking, non-life insurance and investment markets.
- The established banks are expanding their range of products to include those not previously associated with traditional banking services, such as non-life insurance.
- Unlike banking services, relatively little information on non-life insurance prices and conditions has been published on the Internet.
- The Competition Authority believes it is important to make it easier for customers to obtain information about the many different insurance products.
- The commission system for fund managers may have an unfortunate effect, because it creates a conflict of roles between offering good products and offering the products that pay the highest commission.

In 2002, the Norwegian Competition Authority surveyed the competitive situation in the markets for banking, non-life insurance and investment. The main purpose of the survey was to describe the development in products and market structure, to call attention to any barriers to competition, and to propose measures to improve the competitive situation.

In recent years, there has been a great deal of consolidation and restructuring in the financial services market in Norway. Many banks have expanded their range of products, while other banks specialise in a few products and services.

Niche focus among banks

A tendency in the banking market in the past few years has been for new players to identify a niche in the market in which they can specialise. The established banks have expanded their range of products to include those not previously associated with traditional banking services, such as non-life insurance.

There are about 150 banks in Norway. Of these, there are a few large commercial banks and three major savings banks groups. Just over 120

of Norway's savings banks are attached to one of these groups. Competition between the banks appears to be strongest with respect to loans and deposits. This has led to a rapid development of various types of savings products and is probably one of the reasons for the establishment of niche banks focusing on particular customer groups.

Concentration in some of the markets in which the banks operate is relatively high. Any proposed merger involving one or more of the major players will therefore be subject to careful assessment by the Competition Authority.

Greater customer mobility

Customer mobility between banks has increased in recent years. Customers appear to have become more price-conscious in relation to financial services, and they change banks more frequently.

This may indicate that competition between the banks is functioning satisfactorily, although it is not necessarily so that competition with respect to all goods and services functions equally well. Price information and other information is plentiful and easily available, thanks particularly to

the Internet. The Internet has also probably been the cause of greater customer mobility.

Product packages can make it more complicated to compare prices. One possible way of reducing the effects of this would be if the banks were to introduce a service allowing the customer himself to put together his own product package and be quoted a price for it. Such a service would make it easier to compare the products offered, and the customer would avoid having to pay for products and services which he does not use.

Difficult to compare insurance products

The Competition Authority believes it is important to make it easier for customers to orientate themselves among the many different insurance products offered. Product overviews and prices should therefore be made more available. Competition between non-life insurance companies appears strongest with respect to capturing

new customers, and most of the competition is between four major players.

As in the banking market, the non-life insurance market is dominated by a few major players with a substantially larger market share than the others. The four largest insurers providing non-life cover to private customers have over 90 per cent of the market.

Customers rarely change insurer
Competition in the non-life market appears greatest when it comes to winning new customers. Insurance products are complicated, and it takes a lot for customers who have established a relationship with one insurer to change to another. As a result, competition for existing customers does not appear to be as strong.

Over-complex market
It is difficult for a customer to judge the quality of an insurance product before he actually needs to make a claim. The customer also has little

opportunity to predict the probability of a loss occurring, and thus to what extent he will be able to benefit from the insurance. These circumstances make it difficult to compare different insurance products. In addition, different products often have different conditions. For these reasons, overviews of prices and conditions in the non-life insurance market should be made more available than they are today.

Unlike banking services, relatively little information on non-life insurance prices and conditions has been published on the Internet. One reason for this may be that cover has to be adapted to the individual's requirements. A better knowledge of different prices and conditions can, however, improve the possibilities of policyholders to negotiate. The over-complexity of the market probably binds customers and may be one of the reasons for the relatively low rate of mobility in the market. New services on the Internet may solve some of these problems.

Securities funds are complex products, associated with risk, and it is difficult to judge the actual quality of the product.



Exemption for card transactions

The Norwegian Financial Services Association and the Norwegian Savings Banks Association were granted exemption from the Competition Act to collaborate on a common price for automatic authorisation from the commercial and savings banks in contracts with issuers of payment cards. This will permit the bankers' associations to conclude framework agreements with the card companies for access to the banks' coordinated EFTPOS system, enabling cards issued by others than the banks to be used in the banks' network of cash machines and payment terminals.

SEB Kort allowed to acquire Europay

The Norwegian Competition Authority did not intervene against SEB Kort's acquisition of all the shares in Europay Norge AS, after concluding that the conditions for intervening under the Competition Act were not present.

The Competition Authority emphasised in its decision that the acquisition would lead to greater ownership separation between Mastercard and Visa, which are the two largest international card companies in Norway. Prior to the acquisition, three of the largest shareholders in Europay were also the largest shareholders in Visa Norge AS.

The services offered by SEB Kort and Europay comprise the issue and redemption of international payment cards. SEB Kort issues and redeems Diners Club cards, and Europay is among other things responsible for redeeming Mastercard, Eurocard and Maestro cards.

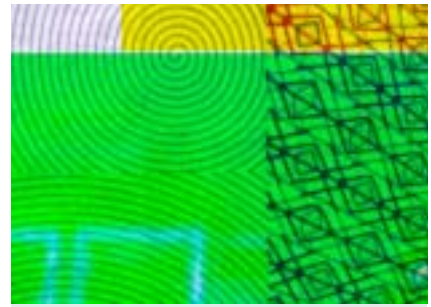
Investment market dominated by big players

Saving through investment in shares, securities and unit-linked funds has been on the increase in Norway over the past 15 years, although the fall in the stockmarket has slowed the trend somewhat. The big financial services groups are particularly strong in this market. Big customer bases, a high degree of confidence in the market, and a large network of branches are the most probable reasons for this. However, there are many investment managers competing for customers in Norway, and they also have to cope with competition from investment managers abroad.

Securities funds are complex products, associated with risk, and it is difficult to judge the actual quality of the

product. As a result, competition may not function satisfactorily. The lack of opportunity to judge quality means that players compete to a certain extent on the basis of brand name rather than price and quality. High charges for moving to another fund manager reduce competition in the market.

The commission system for fund managers may have an unfortunate effect, because it creates a conflict of roles between offering good products and offering the products that pay the highest commission. Openness concerning fund managers' rates of commission may enhance customers' decision-making when choosing between different funds. Such openness can also make customers aware that the funds' «advisors» are not independent players.



No intervention against takeovers in the insurance industry

The Norwegian Competition Authority took the view that Vesta Forsikring's takeover of the Zurich Group's non-life business in Norway did not change the conditions for competition in the market in a negative direction. The Authority consequently found no grounds for intervening against the takeover.

The takeover took place effective 1 October 2002, resulting in three large, equal competitors in the non-life market in Norway. Vesta Forsikring AS had a market share of around 19 per cent in non-life insurance, while Zurich's market share was 1.6 per cent. Vesta is owned by the Danish insurer Tryg Forsikring AS, which is part of the Nordea Group.

Vesta reported the takeover in advance to the Competition Authority to clarify any likelihood of the Authority intervening.



Intervention against BBS and the bankers' associations

In 2002, the Norwegian Competition Authority took a closer look at an agreement between the Norwegian Financial Services Association, the Norwegian Savings Banks Association and the Banks' Central Clearing House (BBS), which bound the banks to use BBS for collecting card transactions from retail outlets. In November, the Authority gave notice that it intended to intervene against the agreement.

The Competition Authority took the view that the agreement restricted competition in the market, and that intervention could lead to lower charges for users of payment cards. In 2003, a final decision was adopted prohibiting the sole supplier agreement.

In 2001, BBS collected 378 million card transactions. For this the banks in Norway had to pay NOK 227 million. Competition for the collection service will probably force down the cost to the banks, and will form the basis for reduced charges to card users.

Temporary exemption for card companies

Visa Norge AS, Europay and Diners Club Norge AS were granted temporary exemption from the Competition Act for a clause in their contracts with card acceptance locations prohibiting acceptance locations from levying a charge on card users for making payments using the cards.

The Competition Authority wanted to wait to consider the case finally until the EFTA Surveillance Authority had considered a similar case notified by Visa Norge AS.

Customers appear to have become more price-conscious in relation to financial services, and they change banks more frequently.



Quiet revolution in

Norwegian pharmacies

The new Pharmacies Act, which came into force on 1 March 2001, has led to an increase in new pharmacies, longer opening hours, and better accessibility for the public. This is fully in line with the Norwegian Competition Authority's expectations of the new Act.

“*Three large, vertically integrated pharmacy chains have formed in Norway.*”

The pharmacy business has been a protected industry for most of the 400 years since the first pharmacy was established in 1595. Under the previous Pharmacies Act, pharmacies were independent, privately owned entities, where the owner had to have a degree in pharmacy and was also responsible for the running of the pharmacy.

The new Pharmacies Act removed the link between pharmacy qualifications and pharmacy ownership. This has led to the formation of three large, vertically integrated pharmacy chains in Norway. The chains are integrated from wholesaler to retailer. It is still the case that manufacturers of pharmaceutical products are not permitted to own pharmacies. As previously, pharmacies must be run by a person with a degree in pharmacy.

In general, the Competition Authority considers that the market players themselves are best able to assess whether a new business should be established. When the new Pharmacies Act was out for consultation in 2000, the Authority supported the free

establishment envisaged in the Act. The Authority also made a number of proposals for removing further barriers to the establishment of pharmacies, including removing the requirement that the applicant must be able to document that the pharmacy would be profitable. It is first and foremost the applicant himself who takes the risk when establishing a new pharmacy, and the Authority believes that the players themselves are far better able to judge potential profitability than the authorities.

In 2001, the market for the sale of pharmaceutical products in Norway was estimated as being worth NOK 12.7 billion.



Facts about the pharmacy market

- The new Pharmacies Act removed an important barrier to establishment in the industry. Figures from December 2002 estimate the number of pharmacies in Norway at 502 (source: www.apotek.no), which is an increase of 100 since the new Act came into force. By comparison, five new pharmacies were set up in 2000.
- Liberalisation has also brought about the establishment of foreign pharmacy chains in Norway. Of Norway's 502 pharmacies, 472 are privately owned, while 30 are publicly owned hospital pharmacies.
- Of the privately owned pharmacies, the major pharmacy chains fully own 307. The three largest groupings are Vitus-apotek AS (99 pharmacies), Alliance Unichem Norge AS (89 pharmacies) and Apokjeden AS (119 pharmacies). Vitus-apotek AS is owned by Norsk Medisinaldepot (NMD), which is in turn owned by the GEHE Group. Alliance Unichem Plc owns Holtung, while Apokjeden AS is owned largely by Tamro.
- The chains have members among the private pharmacies where wholesalers are part-owners or majority shareholders. Apokjeden, NMD and Alliance Unichem have control by means of various forms of affiliation over an increasing number of pharmacies. In 2001, their share was over 88 per cent of the country's retail pharmacies.
- Measured in terms of pharmacies' cost price (PCP), sales of medicines totalled NOK 8.3 billion in 2001. Retail sales from pharmacies to consumers (PRP) were estimated at around NOK 12.7 billion. The State reimbursed expenditure on medicines for approximately NOK 7 billion in 2001.

Free pricing

The authorities fix the maximum prices of prescription medicines. The pharmacies, however, are free to set their own prices on non-prescription medicines and other merchandise.

■ In 2001, pharmacies' total sales were made up of prescription drugs (72.3 per cent), non-prescription drugs (12 per cent), and other merchandise (15.7 per cent).

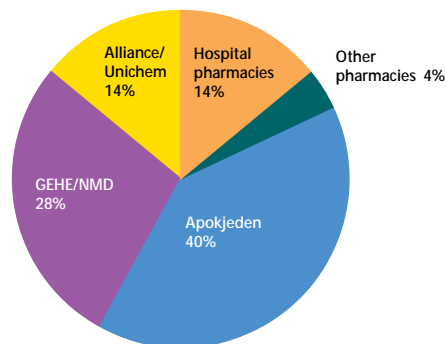
The greater part of medicinal consumption is funded by the Norwegian National Insurance System covering the cost of drugs prescribed on blue prescription. In 2000, the State funded 68.6 per cent of total costs of drugs. The private share of the funding (31.4 per cent) comprises the patient's costs of non-prescription drugs, prescription drugs on white prescription, and the user charge paid by the patient on blue prescription drugs.

Reimbursement under the blue prescription scheme works in such a way that 64 per cent of all expenditure on drugs included in the scheme is reimbursed. If the cost after

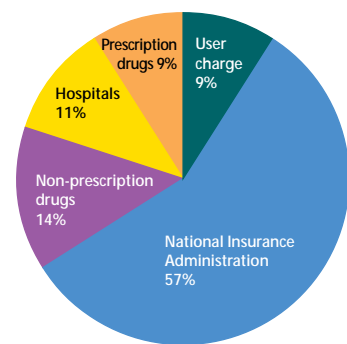
reimbursement on a single purchase exceeds NOK 360 (NOK 400 in 2003), the entire excess cost is reimbursed. A patient who in one calendar year has paid accepted user charges up to the user charge ceiling set by the Storting (Parliament) shall for the remainder of the calendar year be exempt from paying accepted user charges. If a patient has a high annual expenditure on drugs and on consulting doctors/psychologists, he can apply for a payment exemption card. A payment exemption card is awarded if the overall costs exceed a set annual limit, which in 2002 was NOK 1350.

The local social security office can as a rule also cover the cost of white prescription drugs if they exceed NOK 1200 per annum. It can also cover 90 per cent of costs in excess of NOK 1200.

Pharmacy sales by chain affiliation



Funding of medicines consumption in Norway, 2001



The charts in this section are taken from "Facts and Figures 2002" published by the Norwegian Association of Pharmaceutical Manufacturers



Consumers little price-conscious – so far

The competitive situation in the market for sale of medicinal products may indicate a lack of incentive among end-users for choosing the cheapest alternative. This is particularly the case with respect to drugs where the patient bears only a small part of the cost. Many are also reluctant to accept cheaper substitutes for original drugs.

Furthermore, pharmacies are still the only sources offering non-prescription drugs, which are not subject to price regulation. In areas where customers are obliged to use local retail monopolies, or where there are long distances between pharmacies, pharmacies are able to make monopolistic profit gains on non-prescription drugs.

In its consultation document in respect of the draft Pharmacies Regulations of 12 January 2001, the Competition Authority stated that marketing and price information can help make customers more price-conscious in their choice of drugs and pharmacy. More price-conscious customers will increase the incentives for players in the industry to initiate cost-cutting measures and to develop new and better product offerings.

Public regulation

Any wholesaler setting up a business selling pharmaceutical products in Norway is faced with the “full range requirement”, which dictates that it must carry the selection of medicines which the Norwegian market demands. As a principal rule, the wholesaler must be able to deliver anywhere in the country within 24 hours. In areas with difficult communications, deliveries must be made within 48 hours.

■ The geographical requirement and the requirement stipulating a full range of products represent a barrier to establishment in the market for sale of pharmaceutical products and keeps potentially effective niche wholesalers out. The bargaining power of wholesalers and chains with manufacturers is also weakened.

Both industrially manufactured prescription drugs and prescription drugs made up by pharmacies are subject to public maximum price regulation. Since 1995, however, there has been free pricing on non-prescription drugs in Norway. Non-prescription drugs represent 8.4 per cent of total sales of drugs (PCP).

The pricing of drugs in Norway is described in the Medical Products Regulations of 22 December 1999 No. 1559, Chapter 12. Before a pharmaceutical product can be brought to market or sold, its maximum retail price from the pharmacy (PRP) must be established. In practice, this is done by the Norwegian Medicines Agency setting the maximum cost price the pharmacies can pay the wholesaler for the product (PCP). The pharmacies’ mark-up rates are set by the Medicines Agency. On the basis of the fixed maximum PCP and the fixed rates for pharmacies’ profits, the Medicines Agency calculates the maximum retail price from the pharmacy (PRP). The wholesalers’ cost price (WCP) from the

manufacturer is not subject to regulation.

The Competition Authority is in general sceptical with respect to maximum price regulation, but here it must be seen in the context of third party funding, which is a result of the blue prescription scheme. In many cases, the customer pays only a small proportion or nothing of the total cost, and has therefore little incentive to seek the cheapest solution. Maximum price regulation of drugs where costs are reimbursed by the National Insurance Administration, such as veterinary prescription drugs and drugs made up by pharmacies is, in the Competition Authority’s view, detrimental, and for that reason the Authority has welcomed the end of maximum price regulation for such pharmaceutical products.

There may be a need to consider the framing of the price regulation in the light of the vertical integration that has taken place. The regulation that exists today was formulated at a time when the pharmacies were independent entities to a greater degree. The way things are organised today, there is little reason to believe that lower cost prices for wholesalers will automatically result in lower cost prices at retail level.

Generic drugs are cheaper

Pharmaceutical products are protected by patent. When the patent expires, anyone at all can manufacture a medicine containing the same active

ingredients as the original. The original drug is called the original preparation, and copies of it are called generics or generic drugs.

The Norwegian Medicines Agency makes up a list of pharmaceutical products which are similar, containing the same active ingredients and having the same therapeutic effect. As generic drugs are generally cheaper than original preparations, it is desirable from a socio-economic perspective for generic drugs to be used rather than original preparations, if they have the same therapeutic effect.

Proposed index pricing system

An index pricing system for certain prescription drugs has now been introduced. The objective of index pricing is to give pharmacies an economic incentive to dispense the cheapest substitutable medicine.

Briefly, index pricing means that in the case of all drugs which belong to

one group of substitutable drugs, the same reimbursement will be made to the pharmacies – the index price. A substitute group is a group of drugs which the Norwegian Medicines Agency has determined may be substituted for the original. The index price will be a weighted average of the prices of the drugs in the substitute group.

Under the index pricing system, when a pharmacy sells a medicine in a specific substitute group, it is only reimbursed the index price by the Norwegian National Insurance System. It will then pay the pharmacy to sell the medicine which has the lowest price (PCP). An exception to this main rule is if the customer/patient or doctor writing the prescription objects to generic substitution.

If the doctor objects to generic substitution, it must be on medical grounds. In that case, the pharmacy will receive the actual price of the

product, not the index price. The costs coverage will be the same as with the blue prescription scheme in other respects. If the customer/patient objects to generic substitution, he will have to pay the difference between the index price and the actual price.

The scheme will give both customers and pharmacies an economic incentive for choosing the cheapest medicine. The Competition Authority believes that such a scheme will make it easier for generic drugs to enter the market. The scheme will therefore lead to more competition.

“The scheme will give both customers and pharmacies an economic incentive for choosing the cheapest medicine.”



New sales channels for non-prescription medicines

In a consultation document, the Norwegian Competition Authority supported a proposal by the Directorate for Health and Social Welfare that it should be possible for pharmaceutical products containing nicotine or tobacco cessation products to be sold in grocery shops, supermarkets, kiosks and petrol stations. At the same time, the Authority went in for a proposal to consider opening up the sale of all non-prescription drugs through sales channels other than pharmacies. Such an expansion in opportunities for sale would, in the Authority's view, improve competition, for the good of consumers.

Analysis of the market for sale of medicinal products

The Norwegian Competition Authority has contracted out a project to address the question «To what extent has the deregulation of the market for sale of pharmaceutical products led to more effective competition?».

The problem relates to all stages of the chain – manufacturers, wholesalers and retailers. The main purpose of the analysis is to describe the pharmaceutical products market, based on the aim of achieving efficient utilisation of resources in the socio-economic sense, and to identify incentives to promote competition and greater efficiency.

The BI Norwegian School of Management is carrying out the project in cooperation with the Health Economic Research Programme (HERO) at the University of Oslo. The project will culminate in a final report scheduled for delivery on 1 May 2003.

Measures to improve competition in **mobile telephony**

In 2002, the Norwegian Competition Authority carried out several measures to improve competition in the mobile telephony market. Telenor Mobil's exclusive distribution agreements with dealers were prohibited, and it was ordered to change a number of conditions in the frequent user programme «Telenor Mobilbonus».

IMPORTANT ISSUES:

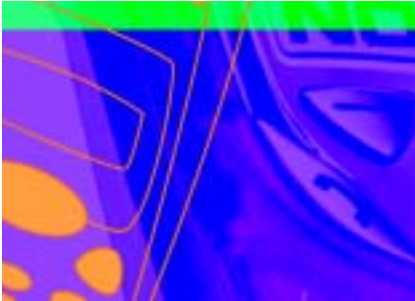
- The Norwegian Competition Authority intervened to stop Telenor Mobil's exclusive agreements with dealers and to set restrictions on the Telenor Mobilbonus customer benefits programme.
- In autumn 2002, the Competition Authority, in collaboration with the Norwegian Post and Telecommunication Authority, started up a project to study restraints on competition in the electronic communications market.
- Draft legislation on electronic communications was sent out for consultation, and the Competition Authority took a positive view of a transition from sector-based regulation to regulation based on competition.

The Competition Authority believes that these two decisions will enhance competition and bring about lower prices in the mobile telephony market.

In autumn 2002, the Competition Authority and the Norwegian Post and Telecommunication Authority started up a project to study restraints on competition in the electronic communications market and to recommend means susceptible to create effective competition. The project will address the possibilities for companies to utilise their market power by taking part in several

sub-markets, and will conclude in 2003.

In a consultation document on new draft electronic communications legislation, the Competition Authority took a positive view of a gradual transition from sector-based regulation to regulation based on general competition rules. The new legislation will replace the present Telecommunications Act.



An end to exclusive agreements

In October 2002, the Norwegian Competition Authority prohibited Telenor Mobil from agreeing or demanding sole supplier conditions when concluding contracts with distributors of mobile subscriptions. Telenor was also ordered to notify any proposed dealership acquisitions. The purpose of this intervention was to bring about greater competition and lower prices for mobile phone users.

The "exclusive agreements" between Telenor Mobil and mobile telephony dealerships have precluded dealers from selling products and services for other mobile phone companies which compete with Telenor Mobil. Telenor Mobil has concluded agreements of this kind with many specialist mobile telephony dealerships. It is these dealerships which primarily serve the most important customer group, namely major users of mobile telephony services.

The Competition Authority took the view that exclusive agreements restrict competition between mobile phone companies and are a barrier to entry into the market. The prohibition on these agreements opens up for stronger competition in the mobile telephony market and gives Telenor Mobil's competitors access to sufficiently good distribution channels. At the same time, it prevents Telenor Mobil from giving differential treatment to dealerships depending on whether they have concluded or intend to conclude distribution agreements with other companies. The Authority's decision extends to all products and services requiring a mobile subscription, including business solutions from Telenor Mobil.

Changes to bonus programme

In July 2002, the Norwegian Competition Authority ordered Telenor Mobil to make certain changes in the set-up of its frequent user programme Telenor Mobilbonus. The Authority considered that, in its original form, the programme was liable to restrict competition.

■ The Mobilbonus programme awards customers points for using their mobile phones. The value of the points can be exchanged for other services from Telenor Mobil. Through the intervention, certain restrictions were imposed on Telenor Mobil with respect to the set-up of the programme.

Among other things, Telenor Mobil was ordered to pay the value of bonus points automatically to customers when they left the bonus programme or closed their mobile subscription.

The Competition Authority also prohibited Telenor Mobil from making the financial value of the bonus points dependent on how the bonus points were realised. This was designed to prevent Telenor Mobil from locking customers into the company by making the value of the points greater if they were exchanged for Telenor Mobil's own service. It also helped prevent Telenor from using the bonus programme to link mobile telephony to other services.

Furthermore, the Competition Authority prohibited Telenor Mobil from making the accumulation of bonus points dependent on who the customer was calling. As the bonus programme functioned originally, bonus members did not earn points when ringing the NetCom mobile network or other providers which do not use Telenor Mobil as a network operator. This could restrict competition by channelling traffic towards Telenor Mobil's mobile network.

It was also prohibited to allow bonus members to use bonus points to buy mobile phones. Customers usually take out a subscription at the same time as buying a new mobile phone. If bonus points could be used to buy a mobile phone, it could heavily influence customers where they choose to take out subscriptions. The Competition Authority believed that this was liable to restrict competition.

As opposed to, for example, the loyalty programmes operated by the airline companies, the Mobilbonus programme does not provide disproportionately large benefits for customers making many and large purchases from a single company. The Competition Authority had a constructive dialogue with Telenor Mobil AS in connection with the intervention, the aim being to formulate restrictions which facilitate effective competition, without spoiling the efficiency gains the company wishes to achieve through the Mobilbonus programme.

The Authority's decision came into force on 1 October 2002 and will remain in force for three years. It was not challenged.

Intervention against anti-competitive practices

The Norwegian Competition Authority can intervene against anti-competitive practices, on the basis of undesirable behaviour on the part of dominant players and industry-wide concerted practices. Here are some examples of such interventions in 2002.

Prohibition on earning frequent flyer points on domestic flights

The Norwegian Competition Authority prohibited SAS, Braathens and Widerøe (the SAS Group) from awarding passengers bonus points for domestic flights in Norway. (See page 12 for details.)

Telenor had to change the Mobilbonus programme

Telenor Mobil AS was ordered to make certain changes in the set-up of its Mobilbonus programme. (See page 37 for details.)

Prohibition on discount scheme

In July 2002, the Norwegian Competition Authority prohibited TV 2 from giving discounts depending on how large a proportion of its advertising budget a customer spent on advertising with TV 2. Previously, some customers had been given an extra discount if they were willing to use their entire TV advertising budget on TV 2. The Authority took the view that discount schemes of this kind could restrict competition in the television market. The scheme led to customers being locked into TV 2 to a greater extent than would otherwise have been the case.

The Authority's decision prohibited TV 2 from offering or giving discounts to purchasers of TV advertising time depending on how large a proportion of their advertising budget is spent on TV 2. It also extended to clauses stipulating that the level of discount depended on the customer not advertising

on other TV channels. In addition, when negotiating with purchasers of advertising TV 2 was not permitted to require information about the purchaser's total advertising budget. Despite the fact that TV 2 appears to have stopped using these discount schemes, the Competition Authority believed that it was necessary to make a decision in this case, principally to prevent TV 2 from introducing similar schemes in the future.

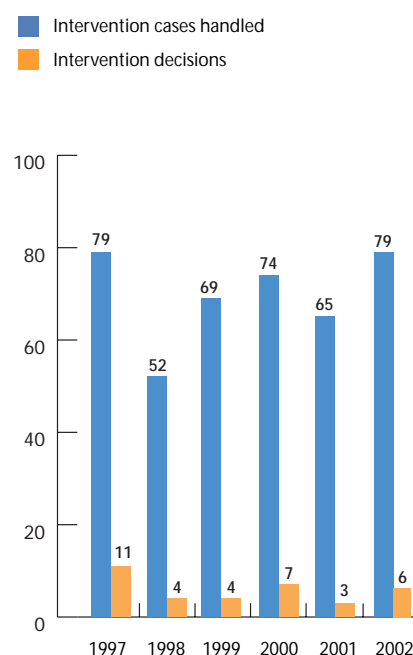
Cattle semen

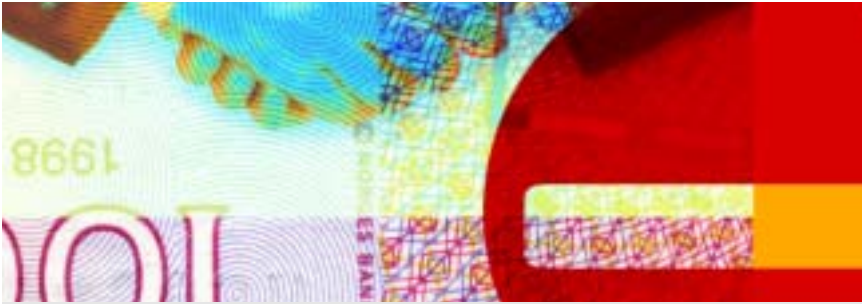
A request to intervene against a clause in the Basic Agreement between GENO and the Norwegian Veterinary Association resulted in the Competition Authority nullifying a clause in an agreement relating to cattle semen. The clause was to the effect that GENO would confiscate the container used to store the semen if a veterinary also distributed semen from other suppliers. This clause and another clause, dealing with the use of semen containers, had an anti-competitive effect because of GENO's very strong market position.

GENO is a cooperative owned by 23,600 dairy farmers from all over Norway. The company is the producer and sole supplier of semen from the Norwegian Red Cattle breed, and has a market share of over 90 per cent in Norway. At the same time, GENO has an approximately 66 per cent market share on imported cattle semen, with what is clearly the most differentiated product range.

As GENO virtually controls the cattle semen market, veterinaries are dependent on supplies from GENO in order to satisfy their customers' needs. The clause in question thus effectively stopped other semen suppliers from using veterinaries as distributors for their own products. Other forms of distribution, such as placing semen receptacles with individual farmers, or training and employing own insemination technicians, was found by the Competition Authority to be far too costly for a small, new player on the market.

Interventions under the Competition Act, section 3-10





Corporate acquisitions

The Norwegian Competition Authority monitors the markets closely to determine whether corporate acquisitions materially weaken competition.

In 2002, the Competition Authority considered a total of 36 mergers and acquisitions, and intervened in three of them. On two occasions the Authority also issued decisions temporarily prohibiting mergers from being implemented.

Interventions against two Statkraft acquisitions

The Competition Authority intervened against Statkraft Holding's acquisition of the two power companies Agder Energi and Trondheim Energiverk. (See page 20 for details.)

Tine Norske Meierier

In October, the Competition Authority intervened against the merger between Tine Norske Meierier BA and the ten Tine dairies. (See page 25 for details.)

Aker Maritime and Kværner

The Competition Authority considered that the merger between Aker Maritime and Kværner's oil and gas divisions would not confer increased market power on the new company and so did not intervene against the merger.

In considering the merger, the Authority emphasised that the customers in these markets are large oil companies with a strong bargaining position. There is also over-capacity in the market for construction of oil and gas installations, which will counteract any exploitation of market power. It is also possible for new players or alliances to become established in the markets concerned. The markets affected by the merger

comprise new oil and gas installations, and maintenance and modifications in the oil and gas sector.

The Competition Authority imposed a temporary ban on integration measures while it was considering the merger. It was the first time this provision was employed. In imposing such a ban, there must be reasonable grounds for assuming that the acquisition will materially restrict competition. The Authority must also consider the measure necessary in order to issue a subsequent determination for intervention under the Competition Act.

Temporary prohibition on coordination of ferry companies

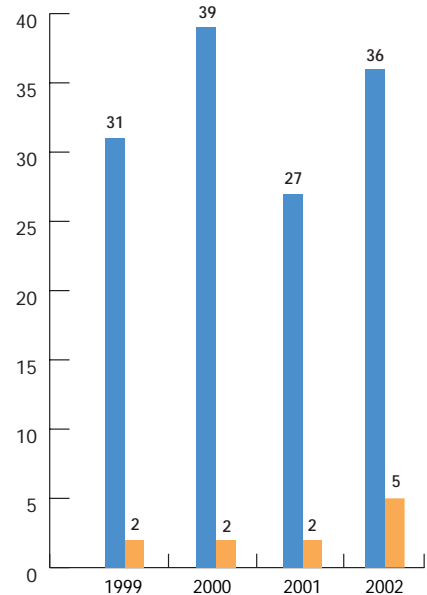
In November, the Competition Authority issued a determination temporarily prohibiting coordination of the ferry companies Color Group ASA and BNR/Fjord Line. This meant that Color Group was unable to exercise its rights of ownership in BNR/Fjord Line.

Color Group appealed the determination to the Ministry of Labour and Government Administration, but the Ministry upheld it. At the beginning of December, Color Group sold all its shares in BNR.

The Competition Authority considered that integration of the two companies' operations should not take place until the Authority had made a final decision on the acquisition. In the Authority's opinion, there were reasonable grounds for assuming that the integration of the companies would weaken the competition for passenger and goods transport from western and southern Norway to the Continent.

Interventions under the Competition Act, section 3-11

■ Merger cases handled
 ■ Intervention decisions



Exemptions from

prohibitions

The Norwegian Competition Authority may grant exemption from the prohibitions on collaboration in the Competition Act if it will lead to increased competition in a market or make for greater efficiency. The Authority may also grant exemption if the regulation is of little significance for competition or there are other special grounds. Exemption is seldom granted for sector-wide collaboration on prices, mark-ups or discounts, whether local or nationwide. Below are details of some exemption cases from 2002.

Taxi companies

The Norwegian Competition Authority has prepared regulations providing exemptions from the Competition Act for taxi dispatching centrals. The new regulations bring together current practice in one set of rules, and provide general exemption for dispatching centrals to fix a common scale of fares.

The regulations came into force on 1 November 2002. They do not apply where there is collaboration on prices or tendering between dispatching centrals or collaboration between licence-holders participating in different dispatching centrals. If dispatching centrals wish to enter into collaboration which includes joint price-setting, special exemption from the prohibitions in the Competition Act must be sought.

In May 2000, the maximum price regulation system was abolished in areas with two or more dispatching centrals and where conditions for competition were favourable. In the case of dispatching centrals operating in areas where there is price regulation, maximum fares are set pursuant to the regulations relating to maximum prices for taxi fares. For dispatching centrals in areas without price regulation, the central itself sets the scale of fares for the taxi services it offers.

Choice Hotels Scandinavia ASA

The hotels in the chain Choice Hotels

Scandinavia ASA were granted exemption from the price collaboration prohibition in the Competition Act to collaborate on prices and discounts as part of the system product Nordisk Hotellpass. Nordisk Hotellpass is a marketing tool used by the chain's hotels.

Choice Hotels Scandinavia was established as an operating company for hotels in 1990, and is today a hotel operator and franchise company operating in Norway, Sweden, Denmark and Finland. Choice Hotels Scandinavia has the rights to market hotels in Scandinavia under the brand names Comfort, Quality and Clarion.

In December 2001, a total of 143 hotels were affiliated to Choice Hotels Scandinavia. These hotels are organised in three different ways: hotels which are both owned and run by Choice Hotels Scandinavia, hotels which are run under an operating agreement, and hotels which are affiliated to Choice Hotels Scandinavia through franchise agreements.

Of the 143 hotels, 72 are in Norway, and 29 of these are affiliated to Choice Hotels Scandinavia through franchise agreements.

Coordination of advertising sales

The Norwegian Competition Authority has granted the Norwegian Media Businesses' Association (NMBA) exemption from the Competition Act

to coordinate advertising sales and to publish the Newspaper Catalogue. The Authority believes coordination of advertising sales will help achieve efficiency gains which more than compensate for the loss of competition, while the Newspaper Catalogue boosts competition in the newspaper advertising market.

Coordination of advertising sales is a collaboration between one or more newspapers to sell advertising. By coordinating advertising sales, the newspapers are able to sell advertising to a larger market than they could do individually. The Competition Authority took the view that coordinating advertising sales helped reduce the cost of advertising and boosted competition between newspapers and other advertising channels. Through coordinated sales of advertising, advertisers achieve broader coverage at a lower cost, greater ordering efficiency, and simpler production of advertising material.

The Competition Authority has also granted the NMBA exemption from the Competition Act to publish the Newspaper Catalogue. The Newspaper Catalogue provides an overview of advertisement prices and other information connected with advertising, and is published on paper and on the Internet. The Authority believes that the Catalogue helps intensify competition between newspapers, and between newspapers and other advertising media.

The NMBA had to seek exemption for the Newspaper Catalogue from the Competition Act because the collection and publication of the information in the Catalogue falls under the prohibitions laid down in the Competition Act.

Extended exemption for film rental agreements

In April 2002, the Norwegian Competition Authority extended a temporary exemption from the Competition Act for film rental agreements. The film rental agreements regulate film rentals between the Norwegian Association of Film Distributors and the National Association of Municipal Cinemas (now Film&Kino, an association of mainly municipal cinemas).

Oslo Kinematografer (a cinema operating in Oslo) has lodged a complaint regarding the film rental agreements with the EFTA Surveillance Authority for infringement of Article 53 of the EEA Agreement. The EEA Agreement's competition rules for enterprises and the provisions of the Norwegian Competition Act can in some cases be employed in parallel on the same matters. Following a request from the EFTA Surveillance Authority the Norwegian Competition Authority judged it most expedient to postpone considering the matter pending the decision of the EFTA Surveillance Authority.

APPLICATIONS REFUSED

Taxi collaboration refused

The Norwegian Competition Authority refused the application for exemption made by Taxi Transport Service AS (TTS) in the Sogn and Fjordane district so as to allow it to negotiate on prices and tenders on behalf of the taxi trade in Sogn and

Fjordane with respect to transportation paid for by the public purse.

When collaboration concerns a number of self-employed persons, it is an infringement of the Competition Act.

Taxi dispatching centrals in price-regulated areas have exemption from prohibitions on price and tendering collaboration. Exemption does not, however, apply for collaboration between different taxi dispatching centrals. Since the collaboration in TTS is between taxi-owners affiliated to different dispatching centrals, the collaboration does not fall under the exemption.

Østfold Taxitjenester AS also had its application refused, on the same basis. The company had applied for exemption so as to enter into price negotiations on behalf of the taxi trade in Østfold county

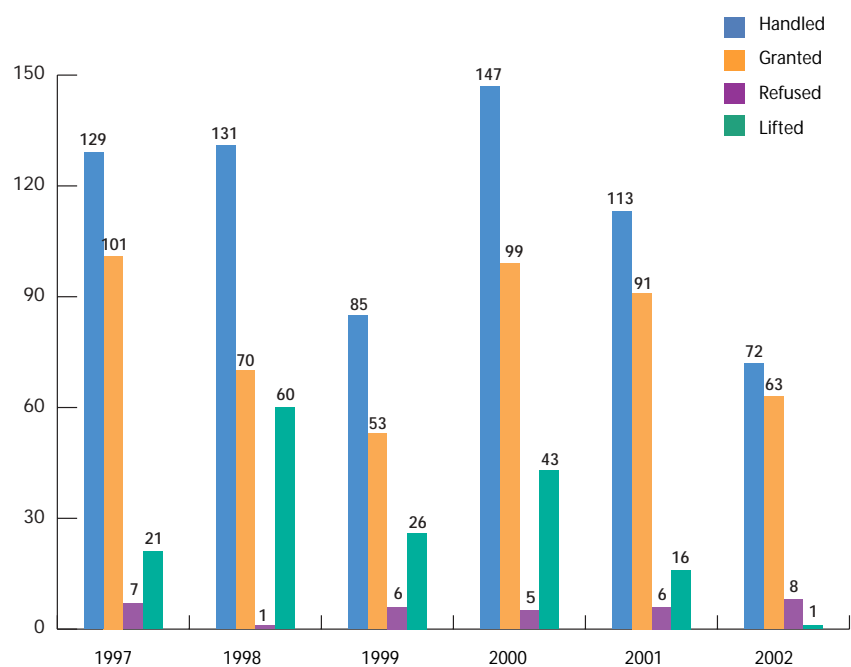
with the Østfold county authorities regarding transportation paid for by the public purse.

Norske Fottereapeuters Forbund

The application of Norske Fottereapeuters Forbund (NFF) (the Norwegian podiatry association) for exemption so as to enable them to fix recommended minimum prices was refused. Part of the reason for the refusal was that NFF must be assumed to have market power in the market for podiatry services, and that recommended minimum prices could restrict competition in this market. The recommended prices would have had sector-wide application and could have been conducive to removing consumers' possibilities of finding low-price offers.

A recommended minimum price will also reduce the incentive for podiatrists to set prices lower than the minimum price.

Exemption cases 1997 - 2002





Advocacy and expert opinions

The Norwegian Competition Authority shall call attention to the restraining effects on competition of public measures, where appropriate by submitting proposals aimed at increasing competition and facilitating entry for new competitors.

«*The Meteorological Institute should consider divesting its commercial operations.*

In 2002, the Norwegian Competition Authority handled 261 consultation matters and other matters calling attention to the restraining effects of public measures. In 103 of these, the Authority had no comments to make of significance. 14 matters were raised on the Authority's own initiative.

Airport charges

In an expert opinion submitted in October 2002, the Competition Authority proposed that the user charges for Avinor's (formerly the Norwegian Civil Aviation Administration) airports should in the long term be reorganised in a direction which promotes greater economic efficiency and competition.

Such a reorganisation will probably mean lower tax rates imposed on less busy airports and higher rates on the busier ones. This can provide stimulation for new business establishment and competition between

airlines, and promote better utilisation of airport capacity. As long as Avinor's current airports belong to the same owner, the Competition Authority considered that it would be right to cover the deficit on the smaller, less busy airports with earnings from the larger airports. A requirement for cost coverage airport for airport was not advised, as it would result in a clear socio-economic loss.

The Competition Authority also took the view that it would be favourable in socio-economic terms if a certain proportion of the payment were to be linked to the price of air tickets, for example through a fixed percentage charge. A third proposal was to have airport taxes vary with the scope and quality of the airport services offered, while a fourth proposal was to introduce peak load pricing charging higher rates in rush hour periods.

Norwegian Meteorological Institute

In a letter to the Ministry of Labour and Government Administration, the Competition Authority recommended divesting the Norwegian Meteorological Institute's commercial operations into a separate company.

The Competition Authority considered that with respect to competition in the market for provision of weather and climate forecasts, no barriers should be put in the way of Storm Weather Center AS and other potential competitors also offering their services. The Meteorological Institute's operations can create such barriers to competition. The most appropriate method of removing these barriers is to divest

the Institute's commercial operations into a separate company, for example a state-owned limited company.

On the basis of the expert opinion of the Competition Authority, the Ministry of Education and Research hired Statskonsult to assess possible organisational solutions for the Meteorological Institute.

Passenger transport by rail

In another expert opinion document, the Competition Authority took a positive view of opening up competition on the Norwegian railways. It will be essential to create an institutional framework conducive to competition on equal terms, in order to realise the potential for greater efficiency

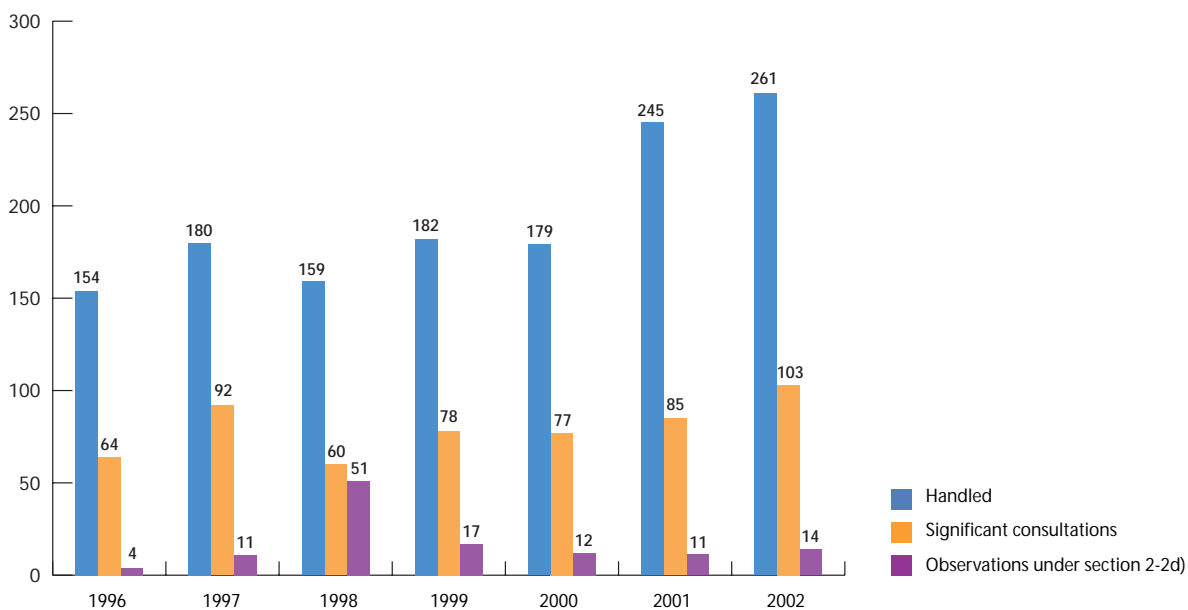
inherent in exposure to competition, the Authority wrote.

Supports wider use of auctions for fish trading

The Norwegian Competition Authority supports the wider use of auctions as a form of trading among fish marketing cooperatives. The Authority considers that this will help bring about an economically efficient distribution of fish resources and the highest possible value added.

The Norwegian railways should be opened up to competition.

Consultation matters 1996 – 2002



International cooperation is increasingly important

As a result of greater internationalisation, it has become increasingly important for national competition authorities to cooperate. For Norway, which is a small, open economy, it is particularly important to take part in forums where international competition policy and law are discussed. The Norwegian Competition Authority has limited resources, however, so it is essential to set clear priorities for the international effort.

IMPORTANT ISSUES:

- Internationally, the Norwegian Competition Authority emphasizes work relating to the EU and EEA.
- In 2002, the Competition Authority took part in 36 meetings in Brussels, including participation by the Norwegian competition counsellor in Brussels.
- The most important work was on the "modernisation reform," but work was also done on a major reform of the merger regulations.
- The OECD has worked on developing multilateral competition rules which can form part of the WTO agreement.
- Norway took part in the OECD's country review of Finland in connection with the regulatory reforms, and has also assisted in the preparations for the country review of Norway in 2003.
- At Nordic level, the Norwegian Competition Authority has collaborated closely with the other competition authorities, including working in groups dealing with selected themes, such as the electricity market.

EU/EEA matters take priority

Where the Norwegian Competition Authority's international cooperation is concerned, highest priority is generally given to work relating to EEA matters, since the EEA Agreement imposes clear obligations on Norway. The Agreement also bestows rights which it is important to use. In 2002, the Authority took part in 36 meetings in Brussels, including participation by the Norwegian competition counsellor in Brussels. The meetings dealt with 20 individual matters and 26 regulatory matters.

Review of the regulations

The European Commission worked on a number of heavy review cases in 2002. The most important of these was the "modernisation reform", but work was also done on a major reform of the merger regulations.

In December, the Council of the European Union adopted a new Regulation for the enforcement of Article 81 of the EC Treaty relating to anti-competitive behaviour and concerted practices and Article 82 on abuse of a dominant position. The reform does not concern merger control. The change in the rules will simplify and strengthen the enforcement of the EU's competition rules.

As a result of the reform, the role of national authorities will be more important than it is today. This is the most radical reform in the area of competition adopted by the EU in more than 40 years, and must be seen as part of the preparations for EU

enlargement in 2004. The reform has two main elements: the introduction of exemption and decentralised enforcement.

The introduction of exemption means that the present notification system will end. Undertakings will themselves be responsible for ensuring that their agreements do not infringe the prohibition in Article 81 (1) of the Treaty and, in the case of dispute, responsibility for fulfilling the conditions for exemption in Article 81 (3).

The European Commission will share its enforcement competence with national competition authorities and courts. For national authorities, this will mean that undertakings will to a greater extent act in relation to them rather than the surveillance authorities in Brussels, since they will be able to make decisions pursuant to European law.

National competition authorities will have considerable obligations to provide guidance to undertakings, particularly in the transition phase. The reform will be incorporated in the EEA Agreement and enacted in Norwegian law. This will mean new tasks for the Norwegian Competition Authority, which among other things will require the Authority to further strengthen its competence in EU/EEA law.

Merger control

The European Commission has also been reviewing the rules relating to merger control. There has been some



criticism in recent years of the Commission's merger control, and the European Court of Justice has set aside some of the Commission's decisions. It has therefore been decided to carry out a radical reform, and the Commission presented a package of reforms at the end of 2002.

The European Commission proposed, firstly, a number of changes in the current Regulation on corporate mergers. This proposal has been sent for further consideration and decision by the European Council. The Commission has also drawn up a proposal for announcing horizontal mergers. This proposal is out for consultation and is expected to be adopted in spring 2003. Finally, the Commission has decided to make changes with respect to the decision-making process and its internal organisation.

Important for Norway

Representatives of the Norwegian Competition Authority have taken part in the European Commission's working groups and in expert groups during the review process, and have also prepared consultation documents. The rules are important for Norway because Norwegian companies are increasingly involved in mergers and acquisitions considered by the Commission.

Corporate mergers having cross-border effect, and which exceed the turnover thresholds fixed by the EU, must be reported to the Commission. Norwegian competition authorities have the opportunity to put forward their views during the consideration of such matters. When the merger rules have finally been adopted by the European Council, they will be incorporated in the EEA Agreement and enacted in Norwegian law.

De minimis notice

The EFTA Surveillance Authority has revised its notice with respect to what are considered agreements of minor importance. The notice is based on the European Commission's corresponding notice. Agreements which are defined as being of minor importance will not normally fall under the prohibition on anti-competitive behaviour and concerted practices laid down in Article 53 of the EEA Agreement. The EFTA Surveillance Authority believes that competition-related problems cannot be expected when the undertakings in question do not have market power.

Certain types of collaboration will always be prohibited. This is true, for example, of price collaboration and market sharing. Special rules are provided for small and medium-sized

undertakings, which may be of importance for a number of Norwegian companies which often are relatively small in European context.

Fines in competition cases

The EFTA Surveillance Authority has adopted two new notices relating to fines in competition cases. These, too, are based on corresponding notices from the European Commission. One notice contains guidelines for setting fines for infringement of the EEA Agreement's competition rules. The other contains guidelines for reduction of fines or leniency. Undertakings which provide information and/or admit to illegal acts may be granted immunity or leniency. The purpose of these rules is to provide incentives for uncovering illegal collaboration.

«*The rules (on merger control) are important for Norway because Norwegian companies are increasingly involved in corporate mergers considered by the Commission.*



New forums for cooperation

In the past few years, a number of international networks have been established in the field of competition policy. One of the most important is the European Competition Authorities (ECA), which is a network of all the competition directors general in the EEA, the European Commission and the EFTA Surveillance Authority. Here, the Norwegian Director General takes part on equal terms with the other EEA directors generals. This forum has been used actively for discussing and promoting important issues, and in 2002 aviation was an important field. Representatives of the Norwegian Competition Authority also took part in working groups under the ECA.

Discussions were held with the European Commission on creating a joint forum in connection with the investigation of cartel cases, among other issues. A two-day seminar took place in Oslo at the end of September, with representatives from the cartel office at the Competition DG also taking part. The main focus of the seminar was on interviewing techniques.

For its part, the Norwegian Competition Authority indicated a very strong interest in being included in ECN, the forthcoming information network within the EU system which deals with cartel cases. Cartels today know no frontiers, and the methods adopted by market players to establish and maintain cartels have obvious similarities in countries everywhere. Collaboration and contacts over national frontiers between the authorities give obvious advantages in individual cases as well as in the development of investigation methods. Unfortunately, the Competition Authority was unable to take part in this effort. This means that the Authority's participation in the ECA will be even more important in the future.

The OECD's Competition Committee

■ The 30 member countries of the OECD take part in meetings of the Competition Committee, which is an important forum for exchanging experiences of enforcing, developing and promoting competition policy. The Competition Committee is mainly concerned in dealing with regulatory reforms, measures against illegal cartels, merger control assessments, and the relationship between trade and competition policy.

Among other things, the OECD has been working on developing multi-lateral competition rules which can become part of the WTO agreement. Experience with enforcing competition law vis-à-vis cartels and possible collaboration to enforce the law have also been key topics.

The Norwegian Competition Authority also made written and verbal contributions at several roundtable conferences during the year. The topics raised by the Authority were intervention against loyalty programmes, access pricing in the telecom sector (together with the Norwegian Post and Telecommunication Authority), competition in the electricity sector (together with the Norwegian Water Resources and Energy Directorate),

the Competition Authority's strategy vis-à-vis the media, and methods of merger control.

Country reviews

Regulatory reform is a term given to changes which aim to make competition and the markets function better. The national competition authorities have an important role to play in these efforts. The Competition Committee completed the country review of Turkey in 2002 and carried out the country review of Finland. Norway, together with New Zealand, headed up the examination of Finland. The Norwegian Competition Authority provided one of the two examiners during the examination of Finland relating to state ownership and the post sector in particular, and during the examination of competition policy.

In winter 2003, the OECD carried out a corresponding country review of Norway, and in that connection the Norwegian Competition Authority took part in an interdepartmental project group. The Authority did an extensive amount of work forming the basis of the OECD's report for the country review relating to competition policy and state ownership.



Oil and gas in the spotlight

One of the most important individual cases in 2002 was that concerning the Gas Negotiating Committee. The European Commission considered that the collaboration between the Norwegian oil companies which formed the Committee had infringed the EEA's competition rules. In connection with the Commission's consideration of the case, the Norwegian Competition Authority provided proposals and assessments to national authorities, to the Commission and to the members of the advisory committee. The case has been concluded, and the oil companies were not fined.

Easier to buy cars abroad

The European Commission has changed the competition rules for distribution of, and service agreements for, motor vehicles. The aim of the new rules is to bring about greater competition between car dealerships, to make it easier to buy cars abroad, and to give more choice with respect to car repairs. The Norwegian Competition Authority took part in drawing up the new rules. The changes came into force in the EEA in October.

« *The Nordic competition authorities meet regularly and enjoy good cooperation.*

Nordic cooperation

The Nordic competition authorities meet regularly and enjoy good cooperation, both with respect to competition policy in general and enforcement of specific matters. At any one time, joint projects are in progress relating to issues of current interest. One of these projects, concerning the air travel market, is mentioned in the section on aviation.

■ On 16 March 2001, Norway, Iceland and Denmark signed a cooperation agreement which included the exchange of confidential information between the competition authorities. The agreement gives the competition authorities greater opportunity to cooperate on specific matters, and has already brought about closer contacts, particularly vis-à-vis the Danish authorities. Several meetings have been held with Nordic colleagues at which follow-up of specific matters has been discussed and information exchanged, including a two-day seminar in Oslo for contact persons in the control units. The seminar, in which all the Nordic countries took part, focused on interviewing techniques and investigation of electronically stored information.

The Nordic competition authorities have also appointed a working group to look at the need for better coordination of competition policy in the Nordic electricity market (see the section on electricity). This was decided at a meeting in Iceland. The working group will identify competition-related problems common to the Nordic region, provide an assessment of measures to deal with any competition

problems, consider proposals for changes to regulations which can improve competition, and propose collaborative solutions to improve efficiency in enforcing competition rules.

Competition indicators

At the beginning of 2002, a Nordic working group was appointed to draw up recommendations for standardised methods of measuring market concentration and mobility. The Norwegian Competition Authority has been represented by up to two members of the working group, which has otherwise consisted of one representative from Sweden, Denmark and Finland respectively. Greenland and the Faeroe Islands have also been informed of the working group's activities.

Calculating indicators of competition intensity may also lead to greater insight into the actual competitive situation in different parts of the economy. The quality of this type of information will be enhanced if in addition it can be compared with similar statistics in other countries.

Prices and rates of return are directly comparable between countries, while

concentration and mobility data are not. There has therefore been a need for standardisation here, too, so that future Nordic comparisons can be based on a better foundation than has been possible up to now.

An important part of the work has been to survey what type of statistics each country actually possesses, how they have been drawn up, and at what aggregation levels the data are comparable. To do this, the Norwegian Competition Authority has been in close dialogue with Statistics Norway.

The working group held its last meeting in December 2002. There is now agreement on a common Nordic standard for compiling competition indices. Statistics Norway is now able to supply data according to the new Nordic standard.

The recommendations made by the working group will help improve comparisons between the Nordic countries in future, but they do not solve all the problems of measuring competition intensity. The current method is still susceptible to improvement.

«The strong focus on information and communication also yielded measurable, positive results in 2002.»

Information and communication

promote competition

When consumers have knowledge of the various markets and can make informed choices with respect to price and quality, they are helping actively to promote greater competition and thus more efficient use of society's resources. This is one of the reasons why information and communication are important for the Norwegian Competition Authority.

The Norwegian Competition Authority uses information as a tool to promote its activities and its role in society. The most important target group is made up of consumers, although trade and industry and corporate lawyers also have high priority. The strong focus on information and communication began to have clearly noticeable effects in 2001, and also yielded measurable, positive results in 2002.

Media interest

The Competition Authority's activities are followed with great interest by the newspapers and trade press, and on websites, radio and television. Compared with the year 2000, the number of mentions in the press has been approximately 70 per cent higher in the past two years. The number of news items posted on the Authority's website rose from 52 in 2000 and 56 the year after, to 103 in 2002. Most of these were also sent out as press releases. The Authority arranged a number of press conferences in 2002, focusing on the most major issues.

The Competition Authority makes a conscious effort to be proactive in spreading information. Two staff spend most of their working time in contact with the mass media. The publication «Konkurransenytt» (Competition News) and the Authority's website also increasingly

provide sources of news for journalists.

Growing interest in «Konkurransenytt»

Interest in the Competition Authority's newsletter «Konkurransenytt», which is published ten times yearly, has been growing, and articles on topical issues contained in it are increasingly being used as a source of news by the mass media. The layout of the newsletter was given a facelift at the start of the year, and the 2002 issue was the first to use pictures as a means of capturing attention. In 2002, the newsletter had a print run of 2,500 copies. It is sent free of charge to all persons interested in receiving it.

The Competition Authority published its annual report for 2001 in both Norwegian and English, and electronic versions of both are available online on the Authority's website.

In 2002, a report on essential facilities was published in the series of «Articles from the Norwegian Competition Authority».

New website

In August, the Norwegian Competition Authority launched its new website, with greatly increased emphasis on news, and including an improved version of the popular electricity price survey. In the course of six months,

the number of visitors per month to the Authority's website increased tenfold, and a total of 400,000 visits were recorded in 2002. From a previous figure of around 15,000 visits a month to the website, the number rose steeply throughout the autumn to approximately 80,000 in December and around 150,000 visits in January 2003.

In competition with 52 government institutions, the Competition Authority was nominated among the ten finalists in the competition to find «best government website», which was organised by Statskonsult, the Internet portal «norge.no» and Kommunal Rapport (Municipal Report). The purpose of the award was to focus on good, user-friendly Internet solutions in the public sector.

Towards the close of the year, Norsk Gallup carried out a survey which showed that every fourth electricity customer with Internet access had visited the Competition Authority's website and checked what they would have to pay for electricity from different suppliers. Consumers have great confidence in the price information provided on the website – so say over 80 per cent of those who have used the price survey. Many consumers have also moved to another electricity supplier having compared prices.

The Authority's reputation

The Norwegian Competition Authority is perceived as honest, neutral and highly knowledgeable. This was the conclusion of a comprehensive public survey carried out by MMI in February/March 2002.

■ The sample used in the survey consisted of three groups: members of the general public, professional target groups, and the Authority's own staff. Professional target groups are groups which have major importance for the work done by the Authority.

The main impression is that the Competition Authority is well known, that it enjoys great confidence among consumers and others, and that the work done is regarded as important for society. Among the general public, almost four out of five respondents had heard of the Competition Authority. Half of the professional users and three out of four staff had a good overall impression of the Authority. The Authority scored best on honesty and integrity, neutrality and knowledge of competition policy.

Main conclusions from the survey:

- Among the general public, almost four out of five have heard of the Competition Authority.
- Three out of four staff have a good overall impression of the Competition Authority. About half of the professional target groups have a good overall impression, while the corresponding figure among the general public is 22 per cent.
- A clear majority in all three samples surveyed thought that the Competition Authority's work was important for society.
- The professional target groups have the best impression of the Competition Authority when it comes to honesty and integrity, neutrality and knowledge of competition policy. Case handling time is the point scoring the least favourable impression.
- Both its own staff and the professional target groups perceive the Competition Authority as a competent, professional body which is visible in the media.
- Among both its own staff and the professional target groups, most think that the Competition Authority intervenes too seldom in the market.
- There is agreement that the Competition Authority is an effective force for competition policy in Norway.
- Most respondents believe that the Competition Authority's decisions have good penetrating power.
- Most staff believe that the Competition Authority needs more capacity and financial resources. Here, the professional target groups are more sceptical.
- There is broad agreement that the Competition Authority contributes to a competitive commercial sector.
- To the question as to whether the Competition Authority is more important for trade and industry or for consumers, a clear majority among the general public believes it is more important for consumers (64 per cent). Over half (53 per cent) of the professional user sample think the same, while the staff respondents were more likely to think that the Authority is equally important for consumers and for trade and industry (55 per cent).

“The Norwegian Competition Authority is perceived as honest, neutral and highly knowledgeable.”

Units within the organisation

The Norwegian Competition Authority emphasises the organisation of projects and teamwork across sectional and departmental boundaries.

Executive Staff

- Coordination of legal and economic evaluation projects.
- Coordination of international activities.
- External and internal information and communication work.
- Advising the Director General in individual cases.
- Competence-building within the Authority.

Administrative Department

- Personnel administration.
- Financial administration.
- Documentation.
- IT services.
- Administrative services.

Market Monitoring Departments

Supervision of markets, evaluation and implementation of measures aimed at combating competitive restrictions, including:

- Intervention against anti-competitive practices.
- Intervention against mergers and share acquisitions.
- Exemptions from prohibitions.
- Advocacy and expert opinions.

Market Monitoring Department I

Section M-1: Groceries and Primary Industry.

Section M-2: Finance, Consumer Goods and Services.

Section M-3: Energy and Intermediate Goods.

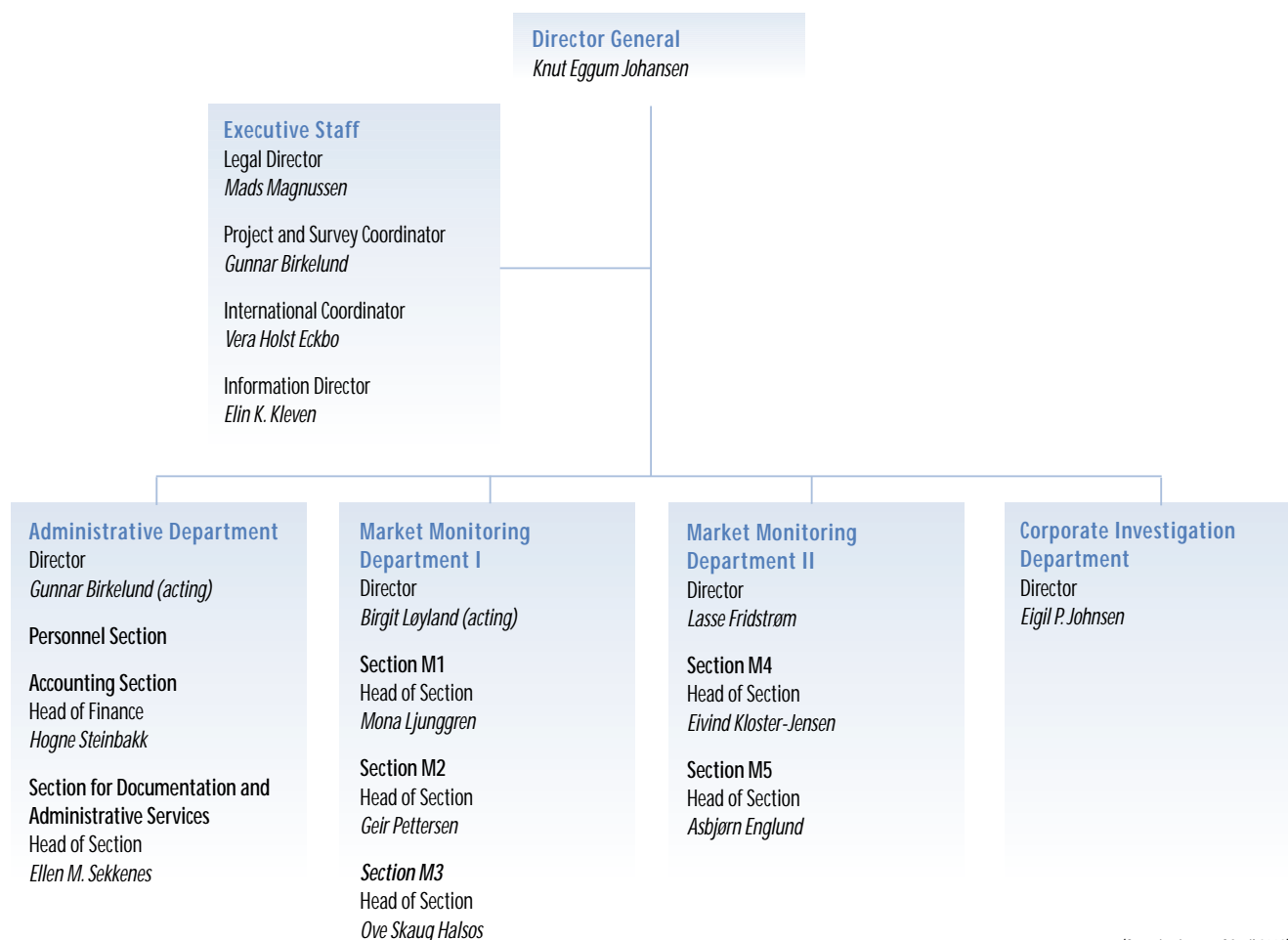
Market Monitoring Department II

Section M-4: Transport, Construction and Property.

Section M-5: Media, Telecommunications, Culture and Health Services.

Corporate Investigation Department

- Principal responsibility for investigative activities.
- Planning and execution of investigations, including dawn raids and depositions.



(Organisation as of April 2003)



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