

INTRODUCTION

- The Director General speaks > **Cover inside**
- Case highlights 2006 > **Page 1**
- This is the Norwegian Competition Authority > **Page 2**
- The year's highlights > **Page 3**

MAGAZINE

- The retail food market > **Pages 4-5**
- The energy market > **Pages 6-7**
- Air travel and transport > **Pages 8-9**
- Banking and insurance > **Page 10**
- The telecommunications market > **Page 11**
- Publishing > **Page 12**

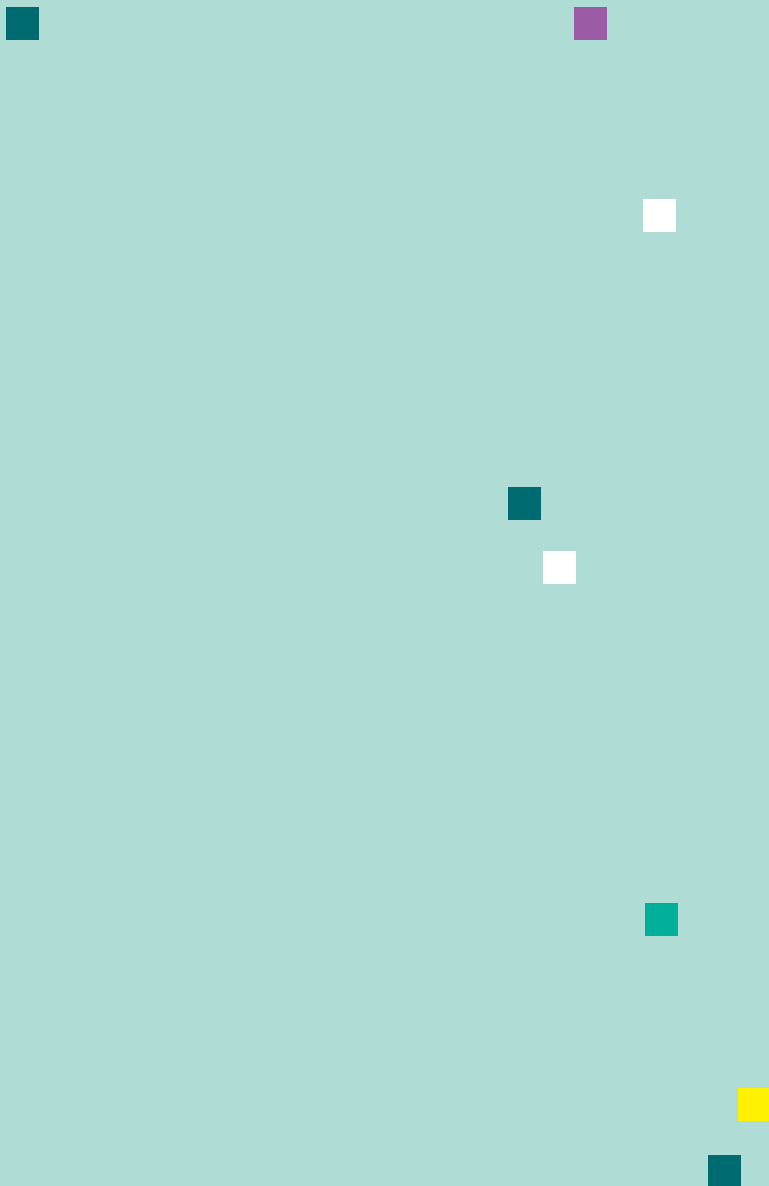
REPORTING

- Trade articles > **Pages 13-14**
- Information and communication > **Page 15**
- Relocation complete > **Page 15**
- Organisation and personnel > **Page 16**
- Case statistics > **Page 17**

ANNUAL REPORT 2006



Konkurransetilsynet
Norwegian Competition Authority



RELOCATION TO BERGEN COMPLETE

In 2006, the Norwegian Competition Authority was engaged in the final phase of the establishment of the Authority in Bergen. At the beginning of 2007, there were almost 90 employees in Bergen. When the relocation from Oslo was approved by the Norwegian parliament in June 2003, the Authority had 116 employees. At the end of 2006, 98 of these had resigned.



■ ■ Despite the fact that a large number of staff members resigned due to the move, the Authority has managed to recruit highly-capable professionals in Bergen. There have been a large number of applicants for vacant positions, which shows that many would like to work for the Norwegian Competition Authority. The Authority has a good reputation. The challenge has been to recruit, hold on to and develop employees with experience and knowledge on analysing and processing competition cases.

Forty per cent of the professionals in the Market Monitoring Support Departments and on the staff had spent less than one year with the authority at the turn of the year. For that reason considerable emphasis has been placed on training and the transfer of experience.

Meanwhile, there were also a large number of large, complex cases in 2006. In particular, cases relating to competition in the air travel and grocery markets have demanded considerable resources. The ban on the abuse of a dominant market position was new to Norwegian law in 2004 and two cases in particular have required a great deal of time and resources.

The first case involved a fine of NOK 20 million which the Competition Authority imposed on the SAS air carrier group in June 2005 for having abused its dominant position on the Oslo-Haugesund flight route. The Authority considered that SAS had set prices too low in order to squeeze competitors out of the market. The case went to court and the Oslo District Court found in favour of SAS. The Competition Authority appealed and the case will be heard by the Court of Appeal in January 2008. The second case concerned the dairy producer Tine. In September 2005, the Competition Authority issued a statement of objection to Tine for squeezing its competitor Synnøve Finden off the cheese shelves of the supermarket chain Rema

1000. The Authority worked hard throughout the entire year answering Tine's responses to the statement of objections and decided in February 2007 to impose a fine of NOK 45 million for violation of the law.

2007 has been a year for strengthening the Competition Authority organization in Bergen. The main focus this year has been on illegal price-fixing, tendering collusion and market sharing. These are practices which make goods and services more expensive both for consumers and the public sector. In this context, we wish to develop cooperation between the Authority's ordinary responsibilities in the area and the work of the secretariat of the Public Procurement Complaint Board (KOFA), which is now a part of the Authority.

Every year public purchases amount to between NOK 200 and 300 million. From the point of view of competition it is important that the rules for public purchases are complied with. The rules are in place to increase competition between providers of goods and services. However, effective enforcement of the Competition Act's prohibition of competition-restricting cooperation will contribute towards ensuring real competition for public contracts. Effective competition for public contracts will also contribute towards reducing the risks associated with, and therefore the extent of, corruption and other forms of economic crime.

The annual report provides a more detailed overview of important cases last year and also provides a perspective on the work ahead. Hope you enjoy reading it!

Bergen, March 2007
Knut Eggum Johansen

2006 CASE HIGHLIGHTS



■ ■ Two cases were reported to the National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim) and evidence was secured in two other cases. In one case, the Competition Authority aided EFTA's Surveillance Authority (the ESA) in securing evidence. In three previously reported cases Økokrim issued fines of up to NOK 40 million in total.

INVESTIGATIONS



■ ■ The investigation of Tine and the supermarket chain commenced in December 2004, following the exclusion of Synnøve Finden from Rema 1000. In February 2007 Tine was fined NOK 45 million for breach of the law. The Competition Authority has imposed a duty upon the supermarket chains to notify the Authority about their annual agreements with large food suppliers. The Authority also investigated the exchange of information between the supermarket chains.

GROCERIES AND FOOD



■ ■ As of January 1, 2006 new regulations make it easier for consumers to change insurance company. However, studies show that the difficulties of comparing the banking and insurance products of different companies curb competition. The Competition Authority has therefore recommended that a financial Internet portal is set up, and the government has allocated funds for the development of such a portal in 2007.

BANKING AND INSURANCE



■ ■ The ban on the SAS bonus program in 2002 was essential in re-establishing competition within the Norwegian domestic air travel market. The Authority has also intervened against major customer agreements and under-pricing. This has resulted in lower prices for the consumer, more departures and more flexible tickets. The price decrease means that Norwegian consumers save NOK 1–2 billion every year.

AVIATION AND TRANSPORT

EXPRESS BUS ROUTES



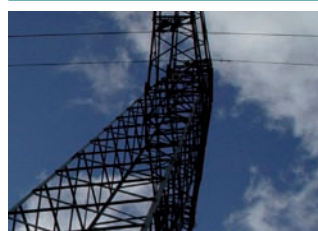
■ ■ After the market was opened up for free competition on express bus routes, the Competition Authority wanted to take a closer look at the express bus market. The express bus industry is characterised by various forms of cooperation, both on individual routes and nationally. In March 2006 the Competition Authority issued a statement of objections to the cooperative partners in the coastal bus route, Kystbussen.

PUBLISHING



■ ■ The publishing industry is exempt from parts of the Competition Act due to a separate regulation. Along with the new Net Book Agreement in 2005, this allows the booksellers a limited opportunity to compete on price. A study carried out by the Competition Authority shows that much more fiction has been sold and that the price of fiction has been reduced since the new agreement was implemented.

THE ENERGY MARKET



■ ■ A study carried out in 2006 uncovered close cooperation in terms of cross-ownership and the exchange of information between Norwegian energy producers. The Competition Authority has reacted skeptically to acquisitions that increase market concentration, and a system for monitoring price trends has been set up in conjunction with the the Norwegian Water Resources and Energy Directorate (NVE). In 2006, new regulations were enacted for the organisation of companies who both operate the networks and supply energy.

THE TELEPHONY MARKET



■ ■ Technological developments in combination with an increasing number of providers force the prices of telephony services down. An increasing number of people are switching provider, and consumers enjoy new and better services. The Competition Authority is working with The Norwegian Post and Telecommunications Authority to ensure conditions under which it is possible for new providers and technologies to compete.

THIS IS THE NORWEGIAN COMPETITION AUTHORITY

The Norwegian Competition Authority is working to promote healthy competition for the benefit of consumers, business and industry. The Norwegian Competition Authority's principal task is to enforce Norway's Competition Act.

■ ■ The Norwegian Ministry of Government Administration and Reform establishes the framework for the Norwegian Competition Authority's work. The Ministry serves as the appeals body for decisions and rulings made by the Competition Authority, except in the case of monetary fines for violations. Each year, the Ministry prepares a document that sets out the framework for the activities of the Authority for the forthcoming year. Operations are financed through the National Budget.

In 2003 the Norwegian parliament decided that the Competition Authority was to relocate from Oslo to Bergen by January 1, 2007. This relocation is now complete as planned, and the Authority is established in the old Telegraph Building in the centre of Bergen.

THE RESPONSIBILITIES OF THE COMPETITION AUTHORITY

- Monitor adherence by business and industry to the Competition Act's prohibitions against competition-restricting cooperation and abuse of a dominant market position.
- Ensure that mergers, acquisitions and other business combinations do not significantly restrict competition.
- Identify laws, rules and governmental measures that have undesirable effects on competition.

The Norwegian Competition Authority can fine businesses for Competition Act violations. Norway's current Competition Act came into force on 1 May 2004.

THE ORGANIZATION

■ ■ **SUPPORT STAFF** Coordination and quality assurance of legal, economic and international work.

■ ■ **PUBLIC RELATIONS STAFF**

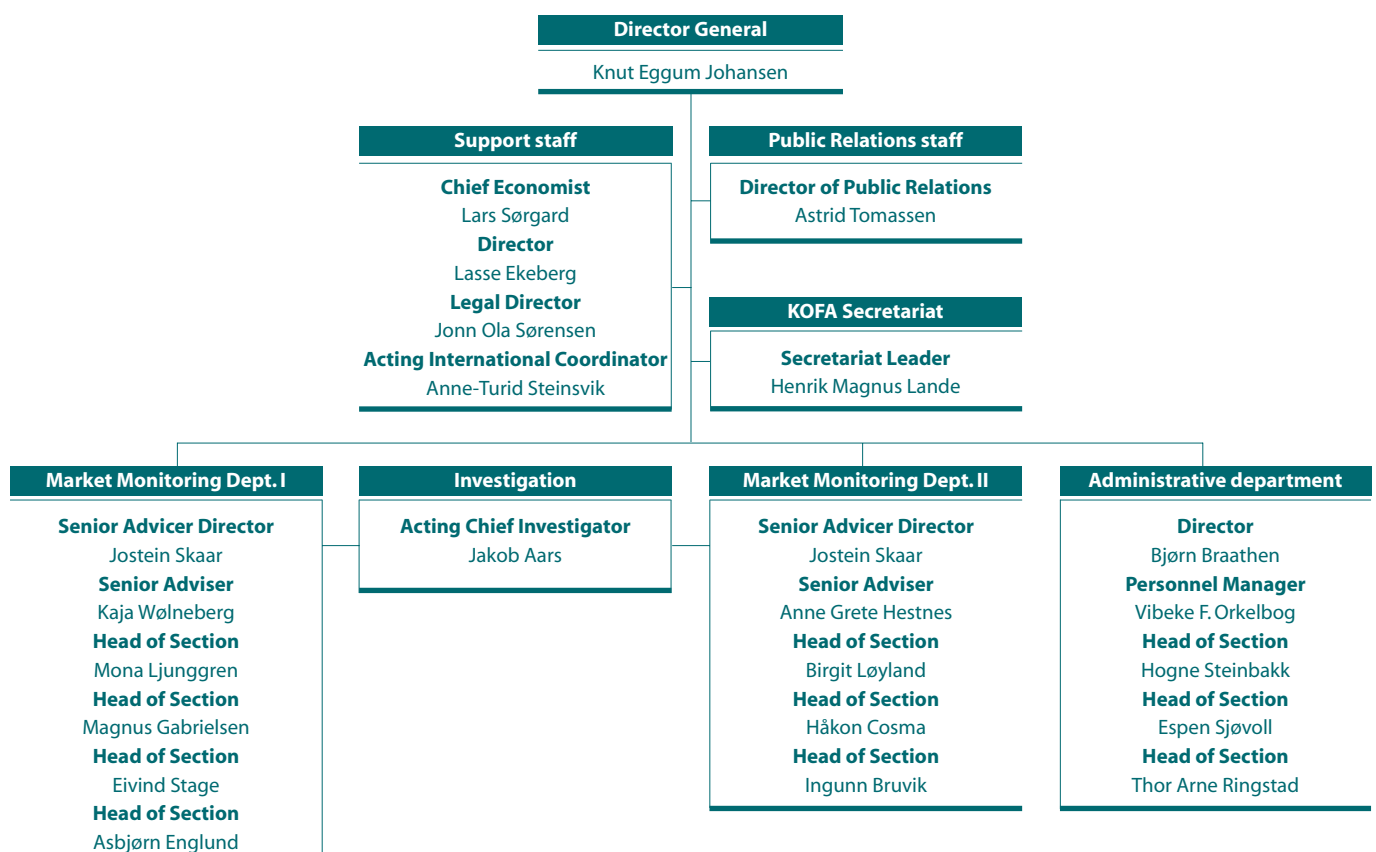
In-house and external information and communications work.

■ ■ **KOFA SECRETARIAT** The KOFA Secretariat is the secretariat of the Public Procurement Complaint Board. Organized under the Competition Authority.

■ ■ **MARKET MONITORING DEPARTMENTS**

Market monitoring, and market assessment and implementation of measures that eliminate competition restrictions. Extensive processing of cases and clarification of issues.

■ ■ **ADMINISTRATION DEPARTMENT** Personnel, accounting, documentation, information and communications technology, and administrative services.



THE YEAR'S HIGHLIGHTS

JANUARY

■ ■ The Competition Authority is notified of the merger of Gilde and Prior.



FEBRUARY

■ ■ The Competition Authority gets a new postal address – in Bergen.

■ ■ The Competition Authority organises a public enquiry into the principles the European Commission should build on when enforcing the EC treaty's prohibitions on abuse of a dominant market position.

MARCH

■ ■ Richard Whish and Thomas Vinje are among the speakers at the Competition Authority's conference on mergers and acquisitions.

■ ■ The three companies which operate the express bus route Kystbussen, are notified that they may be ordered to discontinue their cooperation.

APRIL

■ ■ The EFTA Surveillance Authority (ESA) conducts a dawn raid at Color Line's premises, aided by the Competition Authority.

■ ■ An opinion poll among the population and users of the Competition Authority shows that as many as 9 out of 10 believe that the Authority's work is important to society.

MAY

■ ■ The Competition Authority issues administrative fines for breach of the law to 28 companies that failed to notify the Authority in time about mergers or acquisitions. The largest fine was NOK 90,000.



JUNE

■ ■ The Competition Authority forbids the merger of Gilde and Prior.

■ ■ Two machinery contractors are reported to the police for illegal collaboration.

■ ■ A report on book prices shows that more fiction has been sold and that prices have gone down since 2005.

■ ■ Following an attempt from Tine to stop the Competition Authority from sending a copy of the statement of objections in the Tine case to ICA and Rema, the Court of Appeal rules in favour of the Authority.

■ ■ The Competition Authority appoints an administrator to ensure that Prior adheres to the conditions relating to its purchase of Norgården.

JULY

■ ■ The National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim) imposes fines totalling NOK 36 million and seizes NOK 5.6 million from nine contractors in the asphalt and construction sectors.

■ ■ The Competition Authority rejects a request to intervene against Color Line's crossing between Bergen/Stavanger and Hirtshals.

■ ■ The Oslo District Court concludes that SAS Braathens did not violate the Competition Act on the Oslo–Haugesund route where Coast Air was a competitor. The Competition Authority has appealed against the ruling.

AUGUST

■ ■ The Competition Authority hosts a two-day gathering in Os outside Bergen for the other Nordic competition authorities.

■ ■ A report from the Nordic competition authorities recommends several measures to improve competition for banking services aimed at consumers.



SEPTEMBER

■ ■ Minister of Finance Kristin Halvorsen indicates that the government will fund a financial Internet portal which will compare prices and terms and conditions for banking and insurance products.

■ ■ The Competition Authority forbids Falck Danmark's acquisition of Viking Redningstjeneste (road assistance services).

OCTOBER

■ ■ The Ministry of Government Administration and Reform repeals the Competition Authority's decision to forbid the merger of Gilde and Prior.

■ ■ A supplier to the oil and gas industry is reported to the police for attempted tendering collaboration.

■ ■ The Competition Authority does not intervene in the merger between HSD and Gaia, but identifies possible anti-competitive issues uncovered in the processing of the case.

NOVEMBER

■ ■ All applications for tax compensation related to "Skattefunn" are processed and over NOK 31 million is paid out.

■ ■ The Competition Authority rejects a request for intervention in the administration of the music hit list "VG-listen" after a complaint from C+C Records.



DECEMBER

■ ■ The companies Uniprotect and Pro-Corr, and three key personnel in these companies, accept fines from the National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim) for illegal price-fixing.

■ ■ The Norwegian Competition Authority publishes the book *Competition and Welfare: The Norwegian Experience*.

Tine punished severely for breach of the Competition Act

The dairy producer Tine was issued with an administrative fine in February 2007, to the tune of NOK 45 million for abusing their dominant market position and entering into a collaboration which had a detrimental effect on competition.

■ ■ The Competition Authority concluded that there was a great risk that Tine's only competitor, Synnøve Finden, could get squeezed out of the market as a result of Tine's efforts to exclude it. This would result in reduced competition, leading to higher prices, fewer options for consumers and lack of innovation. The Authority's investigation showed that Tine and the supermarket chain Rema 1000 had entered into a supply contract in the autumn of 2004, which entailed that Synnøve Finden lost shelf space in Rema. In return for using Tine as the only supplier of white cheese and brown cheese, Rema received increased discounts worth millions from Tine. At the beginning of 2005, the products from Synnøve Finden were absent from Rema shops for a short period. As a result of strong reactions from consumers, Rema chose to stock the products again. The illegality arose as a result of Tine's conduct during the annual negotiations through which Tine became the sole supplier of certain types of cheese to Rema 1000. Furthermore, Tine also attempted in a similar manner to become sole supplier to the supermarket chain Rimi through its annual negotiations with ICA Norge in 2004. The Competition Authority finds that Tine's conduct with respect to Rema 1000 also breached the Competition Act's prohibition against competition-restricting cooperation.

DOMINANT SUPPLIERS HAVE SPECIAL RESPONSIBILITY

If Synnøve Finden had remained excluded from Rema 1000 for a longer period, and if it had also been removed from the Rimi shops, the com-

pany would have been at great risk of losing competitiveness and in the worst case scenario would have had to withdraw from the market.

The Competition Authority has been working for several years on a series of specific cases to build up competition in the dairy markets. According to the Competition Act, dominant players such as Tine have a special responsibility to ensure that their actions do not violate competition regulations. If Tine had succeeded in becoming the sole supplier of white and brown cheese to Rema 1000 and Rimi, that would have resulted in a further decline in the cheese markets in Norway. This would have had unfavourable effects for the consumers and for the efficient use of resources in society.



- ■ The Competition Authority commenced its investigation of Tine and the grocery chains in December 2004.
- ■ On February 15th – 17th, 2005 the Authority secured evidence from the premises of companies including Tine, Rema and ICA. Recorded statements were taken from a number of people.
- ■ In September 2005 the Authority notified Tine that the company could be issued with an administrative fine of up to NOK 45 million. Tine submitted their response in November. Tine rejected a number of the Authority's assessments and was of the opinion that the company had not violated the Competition Act.
- ■ In February 2006 Tine went to court to prevent the Competition Authority from sending copies of the notification of an administrative fine to Rema and ICA. In June of that year the Authority received approval from the court for issuing the notification.



1980 The market for groceries is dominated by a few producers and wholesalers, while shops are numerous, small and independent. Rema has three shops. Twenty years later the structure of the market has changed dramatically.



1999 The Competition Authority passes a new regulation about pricing information for merchandise. The regulation requires shops to state the price per unit and is intended to make it easier to compare prices.

Important cases in 2006



Notification duty to ensure sound competition on groceries

■ ■ At the turn of the year 2005–2006, the Competition Authority imposed a duty upon supermarket chains to notify the Authority about their annual agreements with major food suppliers. Norgesgruppen, ICA, Coop, Rema 1000, Lidl and Smart Club must report on their agreements with 25 market-leading suppliers. The objective is to generate sound competition between the supermarket chains, ensure a wide range of products and prevent smaller and new suppliers and grocery distributors from being shut out of the market. 98 per cent of all grocery goods are today sold in shops under the chain-umbrellas of Norgesgruppen, Ica, Coop and Rema 1000. These chains make many decisions centrally, which means that in reality four market players determine prices, choice and quality. In addition, Smart Club and Lidl have established shops in the Norwegian market in recent years, but these two players remain small for the time being.

The Authority has assessed the annual agreements for 2006 and has followed up matters through meetings with the grocery chains. The notification duty will remain in force until 1 January 2010.

Said no to Gilde-Prior. Ministry said yes

■ ■ In June 2006, the Competition Authority adopted a resolution prohibiting the merger of Gilde Norsk Kjøtt BA with Prior Norge BA. The Authority was uneasy with the fact that this merger would further weaken the already low level of competition in the poultry market. The Authority found that Gilde was probably in a position to start up its own poultry products and had therefore to be regarded as a potential rival for Prior. The Authority deemed that the merger in effect removed Gilde as a potential

competitor for Prior. Gilde and Prior contested the resolution with the Ministry of Government Administration and Reform. The Ministry disagreed with the Authority's expert assessment and authorised the merger in October 2006.

The Ministry deemed that the possibility of Gilde establishing itself in the poultry market would not significantly impact on competition in the near future



Cease detailed information exchange

■ ■ The Competition Authority has considered intervening in the supermarket chains' exchange of price information through ACNielsen, analysts, because it could weaken competition between the chains. After having been presented with the Authority's assessment, the parties themselves chose to amend the practice.

Through weekly reports from ACNielsen, the supermarket chains have had access to fresh and detailed information on the prices applied by their competitors. The exchange of such information can be regarded as an infringement of the competition laws prohibiting cooperation which limits competition.

Information exchange makes the market more transparent for the chains, allowing them to react quickly to any price changes made by a competitor. Reduced uncertainty in the market is a factor in decreasing competition.

Following the Competition Authority's briefing, ACNielsen and the supermarket chain groups agreed to make essential changes in the reporting process. Information will be less detailed and less up-to-date, and consequently less likely to damage competition.

Cross-ownership and close cooperation can restrict competition

The Norwegian energy market functions well compared to most other European countries. However, high concentration and close cooperation between the producers may present an obstacle to efficient competition.

■ ■ EFTA's Surveillance Authority, the ESA, has investigated the conditions for competition in the electricity markets in the EFTA countries, which include Norway, Iceland and Liechtenstein. However, the report focuses mostly on the energy market in Norway. The investigation was carried out in parallel with an analogous examination of the energy sector in the EU countries.

The report concludes that competition in the wholesale market for electric power functions relatively well in Norway. Integration with markets in other countries, transparency and liquidity in the market are relatively good. Nonetheless, the ESA points out that the high market concentration, such as the increasing market share of Statkraft, may restrict competition.

GRID INVESTMENT REQUIRED

The capacity of the grid is now utilised more intensively than before. Dividing up the market into many price areas has become more relevant. Bottlenecks in the grid therefore may result in a more serious problem with market concentration. Without sufficient investment in the grid, competition problems may increase in future.

SEEKING STABLE FRAMEWORK CONDITIONS

The report also emphasises that uncertainties regarding government policies towards new investment in generation and transmission, as well as government ownership regulations on hydro generation and special schemes for power intensive industry, may raise concerns. Stable framework conditions are important to secure investments in new capacity. Investment in new capacity is a problem which also inter-

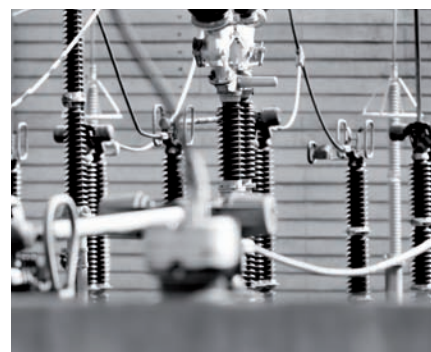
ests the Nordic competition authorities. This will be discussed further in a Nordic report which will examine the trends in the Nordic energy market over the last few years.

NEED TO SEPARATE BETWEEN DISTRIBUTION AND SUPPLY

With respect to the end user market, the ESA refers to the fact that although many people change their energy supplier, there is still not a sufficiently clear separation between grid-related operations and the sale of energy.

CHALLENGES FOR COMPETITION

In a report submitted at the same time as the ESA's sector study, the European Commission states that there are serious competition problems within the electricity and gas markets in Europe. These problems are associated with issues such as high market concentration and potential cooperation and market sharing between players.

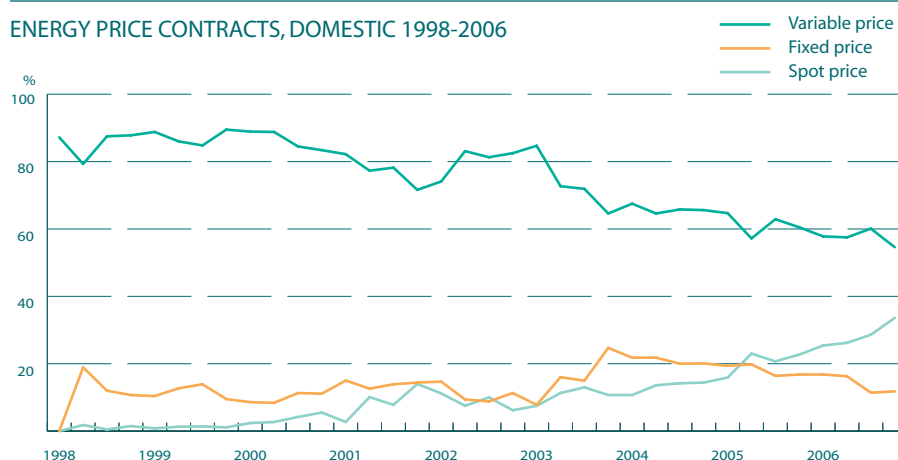


The Commission uses the Nordic energy market as an example of a properly functioning and relatively efficient market, compared to the markets in most other European countries.

EASIER ENERGY TRADE ACROSS BORDERS

In 2007, the Commission will follow up the study by proposing measures to improve competition, such as making it easier to sell energy across national borders. The Commission also aims to split the large vertically-integrated energy companies on the Continent.

ENERGY PRICE CONTRACTS, DOMESTIC 1998-2006



1990 The Norwegian parliament passes a new Energy Act which allows for greater competition in the energy market.



1996 A common Norwegian-Swedish energy market is the start of what will become an integrated Nordic market. Finland joins in 1998, and Denmark joins during 1999 and 2000.

Important cases in 2006



Critical look at close links in the energy market

Close links exist between a number of energy producers in Norway, as revealed in a survey conducted by the Institute for Research in Economics and Business Administration (SNF) for the Competition Authority. The SNF studied the extent of cross-ownership and other forms of collaboration in the Norwegian energy sector.

High levels of concentration, comprehensive cross-ownership and other forms of collaboration between the producers lower competition in the energy market. Therefore, the Competition Authority has reacted skeptically to acquisitions which increase concentration in the market. Statkraft, the largest energy producer in Norway, is a typical example of a player with links to many other Norwegian energy producers through direct or indirect ownership.

There are also close links between companies which own power plants together. The same applies to cooperatives where companies within a delimited geographical area cooperate on the common exploitation of water resources. These types of collaboration contribute to information exchange between companies.

The SNF has also developed a software tool that the Competition Authority will use to conduct detailed analysis of the concentration in the Norwegian energy industry.

Monitors the wholesale market

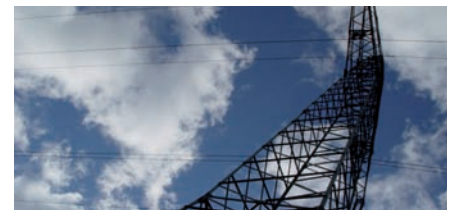
The Competition Authority and the NVE monitor the wholesale market in order to be able to uncover certain forms of abuse of market dominance. Such monitoring is based on a model developed by ECON. Drifts in price indicators are followed up and investigated.

Introduces a sharper separation between electricity sales and grid operation

The sale of electricity takes place in an ordinary market, whereas energy transport is a monopoly. In order to secure effective competition in the energy market, it is important, among other things, not to mix the monopoly operator and the electricity supplies costs. Therefore, network operations fall under the comprehensive regulations of the Norwegian Water Resources and Energy Administration (NVE). The NVE determines the maximum legal income for each network company and sets the framework governing grid tariffs.

In 2006, rules were introduced specifying that energy companies operating both grid and electricity sales, and having more than 100,000 grid customers, had to organise activities within dif-

ferent companies. Network operations can neither own, nor be owned by, a firm dealing with the production or the sale of electricity. However, a company structure where a common holding company owns both networks operation and production or sales accords with the regulations. In the case of firms which do not satisfy this operational criterion, network companies are required to behave in a neutral fashion in relation to electricity supply.



Overview of energy prices

The Competition Authority's energy price overview is the most viewed web page on www.konkurransetilsynet.no. Household customers still choose contracts with so-called standard variable prices, yet more and more are opting for contracts which are indexed on the spot-pricing on Nord Pool. In 2006, the number of household customers with spot-rate contracts increased by nearly 11 per cent to a total of 33.6 per cent of domestic customers



Hafslund acquired Viken Fjernvarme

The Competition Authority found no reason to intervene against the purchase by Hafslund of Viken Fjernvarme. Hafslund acquired 67 percent of the shares and as a result owns 100 per cent of the company.

A difficult issue in this case was to decide whether the acquisition carried a reporting obligation for the City of Oslo or not, since it had control over both companies before the purchase. The Competition Authority concluded eventually that the City council had not coordinated the management of the two companies in such a way that they could be regarded as the same economic entity in the understanding of competition legislation. The purchase of shares was thus a transaction leading to a change of control and the company merger carried a reporting obligation.

Improved service for travellers

Since 2002, the Norwegian Competition Authority has contributed to creating and sustaining competition in the Norwegian domestic aviation sector. The main focus has been on measures against the bonus programme frequent flyer programmes, special agreements with large customers and under-predatory pricing detrimental to competition.

■ ■ The prohibition on SAS' air miles scheme in 2002 has been decisive for the restoration of competition on routes within Norway. SAS has undertaken costs cuts and prices have fallen by 15-20 per cent. This means that Norwegian consumers save 1-2 billion NOK annually. The competition has led to an improved service for travellers, including more departures.

CONTINUED PROHIBITION OF BONUS-FREQUENT FLYER PROGRAMMES PROPOSED

The 2002 ban prohibition against SAS' frequent flyer program air miles on Norwegian domestic routes expires in August 2007. The Ministry of Government Administration and Reform has sent a proposal for public consultation on the continuation of the prohibition. The deadline for consultation is 21 May 2007.

INTERVENTION AGAINST UNDER-PREDATORY PRICING

The Norwegian Competition Authority investigated 13 routes during the summer season of 2004, when SAS Braathens was involved in tough competition. On the basis of these investigations, the Competition Authority presented SAS Braathens with a fine of NOK 20 million in June 2005 for having abused its dominant market position on the Oslo-Haugesund route. The authority believes that SAS Braathens



has set its prices too low, leading to losses, in order to force its competitor out of the market. SAS claimed there was no justification for this fine, and the case has been brought before the courts. The Oslo Court of Arbitration ruled Tingrett District Court ruled in favour of SAS Braathens in its verdict of July 26, 2006. The Competition Authority has appealed the verdict – and the case will be brought to

the Court of Appeal in January 2008.

The Competition Authority announced in July 2005 that a fine may be issued for breach of the Competition Act in relation to the Oslo – Ålesund route. After a thorough assessment and examining the responses from SAS Braathens to the announcement, the Competition Authority has closed the case without issuing fine.

Objected to acquisition of Viking by Falck

■ ■ The Competition Authority decided on 22 September 2006 to prohibit the acquisition by Falck Danmark A/S of Viking Redningstjeneste AS (roadside assistance service). Following such an acquisition Falck/Viking would have gained a substantial share of the corporate market, while NAF would still have been the largest provider in the private subscription market. The Competition Authority

concluded that the acquisition would facilitate coordinated action between Falck/Viking and NAF. This would have resulted in weaker competition in road rescue services. Falck appealed the decision to the Ministry of Government Administration and Reform. The Ministry decided to allow Falck to go through with the acquisition of Viking while the case was being processed. In the final decision of 17

January 2007, the Ministry upheld the Competition Authority's prohibition of the acquisition. Falck was ordered to sell Viking, but can still retain Viking's activities in Sweden and Finland, as well as the Norwegian subsidiary Viking FollowIt AS. The Competition Authority has appointed an administrator to ensure that the order to sell is carried out.

Important cases in 2006



Air travel and transport

■ ■ In favour of opening competitive tendering of public transport in Oslo to competition
The Competition Authority has expressed their support to the opinion that the planned division of the public transport company Oslo Sporveier is good for ensuring open competition in the future as regards public transport operation. The Authority has received several complaints regarding the current organisational structure of the public transport market in the capital. The Competition Authority has identified two circumstances in particular:

- 1) The new company structure of Oslo Sporveier will facilitate equal access to infrastructure for future providers. A company which makes decisions about access to the market should not be a competitor as well.
- 2) Companies which control the essential infrastructure should not compete in commercial markets at the same time. From a socio-economic point of view it can be unfortunate if a company protected from competition is in a position to cross-subsidise commercial activities.

Cooperation on Kystbussen must stop

■ ■ On 15 May 2007 the Competition Authority decided that Tide Reiser AS and Veolia Transport Sør AS no longer can cooperate on the Kystbussen express bus route between Bergen and Stavanger. The Authority has found that the cooperation is restricting competition in violation of Section 10 of the Norwegian Competition Act. This decision follows a statement of objections issued in March 2006. Tide ASA was formerly known as HSD Buss AS and Gaia Reiser AS, while Veolia Transport Sør AS is the former Connex Vest AS.

HSD and Gaia were allowed to merge

■ ■ The Competition Authority decided not to that there was no reason to intervene against the merger between Hardanger Sunnhordland-ske Dampskipsselskap ASA (HSD) and Gaia Trafikk AS (Gaia). The Competition Authority based this decision on the fact that the merger would neither result in nor enhance significant restriction of competition.

However, the Competition Authority also identified potential competition-related issues. Before the merger, Gaia was in charge of a series of infrastructure facilities for bus operations in Bergen. The parties were made aware that denying competitors access to infrastructure could be in breach of the prohibition of abuse of dominant market positions.



Rejected complaint from Fjord Line

■ ■ On 13 May 2005 Fjord Line approached the Competition Authority. The company believed that Color Line AS was underpricing engaged in predatory pricing on the Bergen/Stavanger/Hirtshals ferry crossing in breach of the prohibition contained in the Competition Act.

The Competition Authority considered the complaint from Fjord Line and gathered extensive information from Color Line. The company was ordered to submit monthly accounts for the crossing to the Competition



Authority. Extensive additional information was also collected from Fjord Line and other providers in the market.

In accordance with the current regulations, the Competition Authority considered whether the total income from the ship «Prinsesse Ragnhild» on the relevant ferry crossing covered the costs taken to establish the crossing. The Competition Authority concluded that it was not likely that this was a case of breach of the competition rules during the period leading up to the summer of 2006, and that consumers had not suffered as a result of it. The complaint from Fjord Line was therefore rejected. Fjord Line appealed the decision to the Ministry of Government Administration and Reform. The Ministry has yet to reach a final conclusion in this case.

← **2000** The Competition Authority waives the regulations on maximum fares for taxis in areas where there is competition between taxi companies. Taxi fares have been regulated since the 1940s.

← **2000** The Competition Authority prohibits SAS, Braathens and Widerøe from awarding passengers air miles for domestic flights. Norwegian airline establishes four domestic flight routes.

Competition in the banking market to be increased

A report shows that there is potential for tougher competition in the banking markets in the Nordic countries and proposes several measures to improve competition. Many of these measures are already being prepared.

■ ■ The banking market in the Nordic countries is characterized by relatively high concentration, with a few providers controlling the market, according to the report “Competition in Nordic Retail Banking” published by the Nordic competition authorities in August. The combination of high concentration and good profitability in the banking trade is positive with respect to financial stability, but could also be a sign that banks have more leeway in the competition for customers. In this context, the report proposes several measures to strengthen competition. It should be easier for customers to compare products from different banks and it must be easier to switch banks.

MUST BE EASIER TO COMPARE COMPLEX BANKING PRODUCTS

Studies show that consumers find it difficult to compare offers from different banks. This is mainly because the products are complex and the banks use loyalty programmes.

The complexity arises in part from the fact that other factors than price are important when a customer chooses a bank. Loyalty programmes that contain product packages are common among the established providers. Customers are given better terms and conditions when buying more products from the same bank. Varying pricing structures and different terms and conditions can confuse customers. One adverse effect is the fact that customers are less inclined to switch banks as a result. This also makes it harder for new providers to enter the market.

On several occasions the Competition Authority has stressed the need for easier comparison between various banking and insurance products. The Financial Supervisory Authority of Norway, the Norwegian Consumer Council and the Consumer Ombudsman’s Office have proposed the creation of a web portal, finansportalen.no, to help consumers to find their bearings in the market and to increase competition between financial institutions.

The government has committed NOK 6 million from its 2007 budget to the establishment of this finance portal. The objective is that the web portal will be accessible on the Internet before the end of the year. The portal will include everyday banking services, lending, saving and insurance products. It will provide free and clear information to consumers looking for the best deal. In addition to comparing prices the portal will also give customers important information on the products. This could remedy problems of comparison arising from the fact that many products are offered as a package.

MUST BE EASIER TO SWITCH BANKS

The new trend in banking markets is for customers to increasingly use more than one bank. The consumer often combines certain products from the new niche banks with other products from the established providers. The fact that customers “shop around” and get the best products from different providers is a positive trend which benefits the customers through increased competition.



The report “Competition in Nordic Retail Banking” still concludes that customer mobility in the Nordic banking market is relatively low. This leads to less competition. The report recommends measures that will reduce the drawbacks for customers of switching banks. The drawbacks largely consist of the fees associated with switching, practical issues of getting new payment cards, informing all relevant parties of the new account number and, for many, the loss of a confidential relationship with the customer advisor at the previous bank. Partially based on this report, the Ministry of Finance has asked a committee to evaluate measures and schemes that can help reduce the inconvenience associated with switching banks and increasing competition in the sector. The committee will submit its report in June 2007.



2000 SkandiaBanken establishes the first wholly Internet bank for private individuals in Norway. This bank and other niche banks show consumers that it can pay to shop around for services from different banks.



2001 The Competition Authority prohibits sole supplier agreements between BBS (Bankenes Betalingsentral AS) and the banks in connection with electronic invoices.

More providers and lower prices

Rapid technological development and increased competition are the main features of the telecommunications market. Consumers can choose between an increasing number of providers, better services and lower prices.

■ ■ Growth in the number of providers in the Norwegian telecommunications market continued in 2006, especially in broadband telephony. There was a significant increase in the number of households with a broadband connection throughout 2006, passing 50 percent of all households. Traffic and turnover is increasing in mobile markets, whilst there is a decrease in traffic and turnover in the fixed line markets. Telenor's market share in terms of total turnover and customers at the retail level is decreasing; however Telenor still holds a strong position with a 58 percent market share.

INCREASING NUMBERS SWITCH PROVIDERS
Statistics show that an increasing number of cus-

tomers are switching providers. During the first half of 2006 there was an increase of more than 10 percent in numbers of customers switching providers compared to same period of 2005. The increase in number of households with broadband and the portion of households with broadband telephony forces the price of fixed line calls to decrease.

The Competition Authority is cooperating with the Norwegian Post and Telecommunication Authority to ensure competitive new providers and technologies can enter the market. During 2006 the two authorities had several meetings. Further the Competition Authority is involved as a consultative body in the Post and Telecom-



munication Authority's market monitoring work, in particular as regards defining relevant product and geographical markets.

MOVING IN THE RIGHT DIRECTION – BUT FOCUS REQUIRED

The Competition Authority observes that the market is developing positively with increased competition. The market however still requires monitoring by the Authority, with Telenor as the by far largest provider, owner of backbone infrastructure and dominant in several markets.

Important cases in 2006

Assessment of Microsoft agreements highly prioritized

■ ■ Linpro AS lodged a complaint with the Competition Authority claiming that Microsoft abuses its dominant position in the software market through agreements between Microsoft and a number of county councils.

Among other things Linpro maintains, that the Microsoft agreements have an exclusionary effect as they require that schools license the software

on all their PCs in order to benefit from the discounts contained in the agreements. The plaintiff also maintains that Microsoft has included product bundling in the agreements, which have an exclusionary effect. The matter is still being handled by the Authority. The complaint is a high priority and the Competition Authority is dedicating resources to resolve the case.

Importance of competition in digital terrestrial network

■ ■ In June 2006, Norges Televisjon (NTV) was awarded a concession to establish and operate a digital terrestrial network for television in Norway. Telenor, TV2 and NRK have common ownership of NTV, to the extent of a third each. The Competition Authority has on several occasions expressed concerns regarding issues linked to the digital terrestrial network. Particularly the

Competition Authority is preoccupied with the following two: firstly, there is a risk that TV channels competing with NRK and TV2 might face less favorable conditions in connection with access to the digital terrestrial network. Secondly, there is a risk that this concession will weaken the competitive conditions for Telenor's rivals in the satellite and cable TV distribution sector.



More and cheaper books as a result of the new Net Book Agreement

Since the new Norwegian Net Book Agreement was implemented on 1 May 2005, the sale of fiction has been considerably higher. Prices have gone down and the number of titles sold has also increased, according to a Competition Authority study carried out in the spring of 2006.

■ ■ The contractual provisions governing the book publishing industry are based on a concern that free markets do not ensure the desired degree of cultural diversity. The publishing industry fears that increased competition will lead to a concentration of sales of a few successful books, and that publishing less popular quality literature will no longer be profitable. By protecting providers in the publishing industry from price competition, popular and highly profitable books will subsidise less profitable books. This allows for more bookshops with good selections of books, while the publishers can take greater risks and invest in more writers.

Others would argue that a competitive book market could also create diversity and quality within literary production and that if the aim was to stimulate increased diversity and better quality, the fixed pricing scheme in the book agreements is not a very effective measure. It also makes the books more expensive.

The new Net Book Agreement of 2005 afforded the players a restricted opportunity to compete on price. The book clubs lost their monopoly on giving discounts on new, Norwegian literature. According to the new Net Book Agreement all sales channels are allowed to give up to 12.5 per cent discount on the fixed price of textbooks, fiction and non-fiction. Furthermore, the fixed price period was reduced. Vendors are now free to set their own price after a maximum of 16 months after the publishing date, as compared to 24 months previously.

GOOD FOR DIVERSITY

To evaluate the effect of the new Net Book Agreement, the Authority carried out an extensive study in 2006 of the trend since 2005. The study showed that significantly more fiction was sold in the bookshops, and the price of fiction had decreased after the implementation of the new agreement. It appears that the best sellers did indeed take up a larger share of the volume, but this does not have a detrimental effect on diversity. On the contrary, the number of titles sold increased.

The Authority also found that the bookseller chains had adjusted to the new agreement in different ways. Some were passive and adopted a wait and see attitude at first, but switched to a more active sales strategy during the autumn of 2005.

WILL MONITOR THE TREND CLOSELY

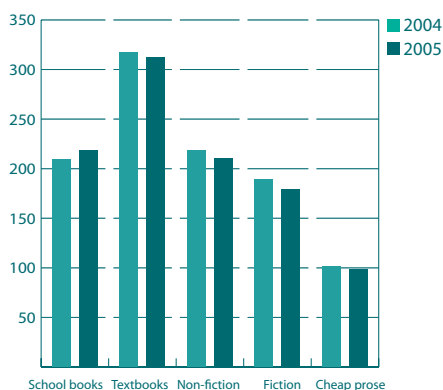
The 2006 study could, of course, only capture short-term trends. The Authority will follow up with another study in 2007. The Authority's ambition is to try to uncover circumstances in the market that are important to both the book buyer and the industry. The Authority has had meetings with the Norwegian Publishers' Association, the Norwegian Booksellers' Association and the Norwegian Authors' Union in preparation for the new study.

In 2005 the Norwegian book market had an estimated retail value of NOK 5.3 billion. Of this turnover, 51.5 per cent was traded through the bookshops.

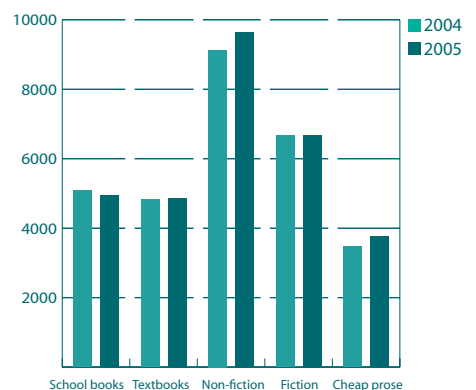
The retail value can be divided thus:

- The schools: NOK 587 million
- Non-fiction: NOK 728 million
- General public: NOK 3880 million

PRICE TREND AUTUMN SEASON



TREND IN NUMBER OF TITLES AUTUMN SEASON



2004 The Competition Authority concludes that the Net Book Agreement of 1998 impedes competition. The Authority recommends that the fixed pricing system is discontinued.



2005 The new Net Book Agreement allows for limited competition on price between the book vendors. Book clubs are no longer the sole providers of discounts on new Norwegian literature.

ECONOMIC ANALYSIS CAN UNCOVER ILLEGAL COOPERATION

International studies show that cartel operations can lead to price increases of between 20 and 30 per cent. For the public sector alone the cost of cartel activity can amount to billions every year.

■ ■ There is a risk that cartels will flourish if nothing is done. Prohibiting cartel activity is not sufficient on its own and has to be combined with three different measures.

Firstly, participation in a cartel operation must carry a penalty. In Norway, fines have historically been low, but harmonisation with EU legislation has brought about a many-fold increase in fines for guilty operators. Furthermore, personal penalties are also important in order to hold individuals accountable.

Secondly, the risk of being uncovered must be real for cartels. To complement ordinary investigation, several countries have adopted economic methods to uncover cartel operations. The economic analysis of an industry can indicate (i) if conditions are suitable for cartels in the industry itself and (ii) if anything illegal has actually taken place.

Thirdly, conditions must be such that individuals with information regarding cartel operations have an interest in reporting it to the competition authorities. In the US, a leniency programme has proved a big success. In Norway, a leniency program was introduced in connection with the new Competition Act in May 2004.

In 1999, ABB and Siemens accepted a fine of NOK 20 millions for illegal price-fixing. An internal note found at one of the companies contained a list showing annual market shares for each of the two companies year by year, all the way from 1961 to 1996. The market shares fluctuated a lot from year to year. But when one looked at their evolution over time, they appeared surprisingly stable. The person who took down the list was clearly happy and wrote the following in the margin: “same market shares 10 years later!”

In this particular case, an economic analysis could have triggered the warning lights. There are good reasons for being suspicious when two companies are capable of maintaining such stable market shares over such a long period of time – in this case 35 years.



NAME: LARS SØRGARD
POSITION: Chief Economist

JUDICIAL REVIEW OF THE COMPETITION AUTHORITY'S DECISIONS

In 2006, in the so-called SAS case, a decision relating to a fine imposed for breach of the Competition Act was examined by a Norwegian court of justice for the first time. Also, for the first time in Norway, a judgement has been pronounced on the validity of a decision to intervene taken by the Competition Authority.

■ ■ The case concerns a decision to issue an administrative fine, taken by the Competition Authority in 2005, in relation to so-called predatory pricing on the Oslo-Haugesund route. The Authority's decision was reversed in a judgement handed down by the Oslo District Court. The court concluded that SAS had to be considered as dominant in accordance with Section 11 of the Competition Act, but that SAS had not abused this position in predatory pricing on the aforementioned route. The court found that there were objectively acceptable explanations for SAS's conduct, other than explanations that could be characterised as unacceptable or in breach of the law. The court emphasised that it had not taken a position as regards choice of test, a point that was crucial in the decision and during the main proceedings. This is also a main issue in the practice of the European Court of Justice regarding the equivalent rule in Article 82 of the EU treaty.

The Oslo District Court also ruled on some other issues in this case of a more general nature. The court established that in matters of administrative fines regarding breach of the Competition Act, the normal requirement of “more likely than not” prevails and that conduct prior to the implementation of the Competition Act on 1 May 2004 could be taken into account when assessing if the Act was breached after it was implemented. The court also stated that there should be no limitation on the judicial review of the Competition Authority's professional economical considerations in cases like this.

The judgement is being appealed to the Borgarting Court of Appeal. It is therefore too early to comment on the significance the judgement in this case will have on the interpretation of Section 11 of the Competition Act. Yet it is clear that, in the future, Norwegian case law will play a totally different role in the interpretation of material competition rules than was the case with the Competition Act of 1993. Case law by the European Court of Justice is already regarded as an important source of reference for the interpretation of the prohibitions contained in Sections 10 and 11.



NAME: JONN OLA SØRENSEN
POSITION: Legal Director

COMBATING CARTEL OPERATIONS

The cost to society of illegal cartel operations can be considerable. The Competition Authority's most important task is therefore to uncover and follow up such activities.

■ ■ In June 2006, the Competition Authority reported two machinery contractors based in the Oslo area to the Oslo police. The Authority maintained that these firms had colluded on a development project. The matter was referred to Økokrim, the National Authority for Investigation and Prosecution of Economic and Environmental Crime, in December.

In October 2006, the Competition Authority reported a company to Økokrim. This company provides insulation, interior fitting and surface maintenance services on oilrigs and ships. It was the Authority's opinion that it had attempted to set up an illegal cooperation with a rival in a competition for tender.

In the past year, the Competition Authority conducted dawn raids of two contractors in Nordland and to chemical suppliers in Eastern Norway. These cases are expected to be dealt with by the Authority during the first half of 2007.

In one case EFTA's monitoring agency (the ESA) received help from the Authority to secure evidence in Norway.

In June 2006, Økokrim issued fines totaling NOK 36 million and ordered seizures to the value of NOK 5.6 million against leading contractors in the asphalt and construction sectors. The cases, which were referred to Økokrim by the Competition Authority in July 2002 and February 2003 following a comprehensive investigation, revealed gross breaches of the Competition Act, including illegal market sharing, price-fixing and tender collusion. At the turn of the year, over half the fines had been accepted. Two companies were granted an extended deadline to consider the fines.

In another case, two companies, and three high-ranking individuals within them, accepted fines of NOK 250,000 per company and NOK 20,000 and NOK 30,000 per person. The collusion was discovered in connection with a competition for tender. One of the companies had enclosed by mistake part of its rival's bid. The Competition Authority was alerted and the investigation revealed several similar instances of cooperation.



NAME: JAKOB AARS
POSITION: Acting Chief Investigator

INTERNATIONAL COOPERATION

As a representative of a small non-EU country, it is important that the Norwegian Competition Authority establishes and maintains contacts with authorities in the other Nordic countries as well as in- and outside Europe .

■ ■ The Competition Authority considers it to be very important to maintain good working relationships with EFTA's surveillance authority, ESA, and the European Commission. This collaboration is especially important in order to strengthen and make more efficient the enforcement of competition legislation within the EEA. Norwegian competition legislation are generally similar to their EU equivalents. Therefore, it is important to know how they are enforced by the European Commission, the European Court of Justice and the EU member countries. The Competition Authority devotes considerable resources towards keeping itself updated and contributing to discussions about such matters. Employees have attended courses and seminars. They have also acted as observers at ESA, the Commission and the competition authorities of other countries, e.g. the Office for Fair Trading (OFT). In 2006, the Norwegian Competition Authority hosted an observer from its Dutch counterpart.

In September, the European Commission issued the draft Consolidated Jurisdictional Notice regarding jurisdiction on matters of merger. Norway took part in the discussions held at expert meetings between EU member states and EEA/EFTA states on its formulation. The Commission also issued a proposal for new group exemption on passengers tariff on scheduled air services and slot allocation, which Norway has previously commented on. The Norwegian proposal led to some discussion which resulted in the submission in writing to the Commission of a collective pronouncement by EEA/EFTA countries. The Commission's revised proposal took this pronouncement into consideration to a certain extent. In December, the Commission adopted a new decree on the scale of fines imposed in respect of cartel activities. Norway took an active part in the discussion at several meetings of the European Competition Network (ECN).

In August 2006, Norway hosted a meeting of the Nordic competition authorities in Os outside Bergen. A working group was established to prepare a report on competition in the energy market. Another group delivered its report on competition in the private customer sector of the banking market. At the OECD, the Competition Authority presented oral and written contributions to meetings on the subject of cartels. Norway has delivered written contributions regarding legal remedies and sanctions relating to the abuse of dominance, environmental regulations and competition issues associated with recycling in Norway and the private customer sector of the banking market.



NAME: ANNE-TURID STEINSVIK
POSITION: Acting International Coordinator

INFORMATION AND COMMUNICATION

The Competition Authority's information and communication work is directed at the industrial sectors, the companies it oversees, consumers, society in general and the media.

■ ■ The Authority holds regular meetings with trade organizations and with the authorities with which it cooperates. It also has meetings with the media and its employees give presentations and lectures on a regular basis.

The Competition Authority generally attracts strong media interest. In 2006, it featured in 3,649 news items.

Information on the Competition Act is available on the www.kt.no website, where the results of the Competition Authority's work are also displayed. All important decisions and news are presented on this website. Reports and journals are also available in electronic format. The Authority's web pages received more than half a million visits in 2006. The energy price overview is the most popular section.

PUBLICATIONS

In addition to several reports in Norwegian, a report in English was issued in 2006: "Ownership and cooperation in the Norwegian power market," which is also available on www.kt.no. Moreover, the Authority took part in the compilation of the report "Competition in Nordic Retail Banking" together with its counterparts in the other Nordic countries.

Chief Economist Lars Sjørgard is editor of the book "Competition and Welfare: The Norwegian Experience", in which independent researchers explain the effects of competition in seven different markets in Norway.

CONFERENCES AND SEMINARS

In March 2006, the Competition Authority organised a major conference on the control of mergers and acquisitions. In October, it organised a seminar on market delimitation. Open meetings of the competition economics forum and the competition legislation forum are held several times during each semester.

MASTER'S DEGREE THESIS ON COMPETITION

Kari Margrethe Fløtre won the Norwegian Competition Authority's prize for best master's degree thesis on competition economics in 2006. Magnus Aarø won the prize for best thesis on competition law. The prize is worth NOK 15,000 and will be awarded again in 2007.



RELOCATION COMPLETED AS PLANNED

The Competition Authority concluded its relocation to Bergen at the end of 2006, within the planned timeframe. In the midst of this demanding relocation process, the Authority oversaw a number of important cases which received considerable political and social attention.

■ ■ The resolution concerning the relocation of the Competition Authority was adopted by the Norwegian parliament on 6 June 2003. The relocation had to be carried out within three years and be completed before 1 January 2007. The financial framework for this reorganisation process was NOK 62.5 million over three years on top of the allocations for the Authority's normal operations.

In the summer of 2005, the Competition Authority was given responsibility for the KOFA secretariat (the secretariat of the Public Procurement Complaint Board), with a requirement to relocate to Bergen before the end of 2006. This was also accomplished according to plan.

RESULTS OF THE RELOCATION PROCESS

- The Competition Authority has retained the competence and the capacity to handle cases throughout the relocation period. By the end of 2006, the Authority employed 100 personnel – the vast majority of which were newly appointed during the 2003-2006 period.
- The working environment has been good during the relocation period.
- The Authority has been established in new, permanent premises in Bergen since June 2004. The relocation then took place gradually with systematic build up and transfers of activities to Bergen accompanied by a progressive downscaling of operations in Oslo.
- By the end of 2006, 16 employees had moved from Oslo to Bergen. 13 employees have agreed to commute for a transitional period.
- Overall, 98 employees have terminated their employment with the Authority since 2003. At the end of 2006, none of these were unemployed or claiming severance pay.
- The relocation has been achieved within the allocated financial framework.

The management and the employees collaborated closely on the relocation planning. A major element during this initial phase was the "job guarantee" which meant that all employees were guaranteed employment in Oslo for three years.

The EFQM Excellence model combined with Balanced Scorecard was the methodology employed to ensure coherence between strategic objectives, means utilization and achieving results during the implementation of the relocation project.



About the Norwegian Competition Authority



ORGANIZATION AND PERSONNEL

■ STRATEGY AND ORGANIZATIONAL DEVELOPMENT

In the context of the Norwegian Competition Authority's vision: "Sound competition for increased welfare", work on developing a strategy-focussed organisation continued in 2006. This process is based on the framework provided by the European Foundation of Quality Management (EFQM) and the principles Balanced Scorecard.

In 2006, the Competition Authority carried out an extensive evaluation of its own activities, and both strong points and possible areas for improvement have been identified. This has been taken into account in the planning of further improvement activities.

The Competition Authority has been undertaking regular opinion polls concerning its public reputation since 2002. The last poll was carried out in March 2007. A staff survey has also been conducted which shows that employees are very satisfied with working for the Competition Authority. These surveys will be repeated regularly and the results will form the basis for setting the organisation's performance targets.

Work began on developing a new enterprise information portal in the autumn of 2005. In 2006 the project delivered a new intranet with emphasis on knowledge sharing, and new Internet pages were launched at the beginning of 2007. The work on developing a system for electronic workflow continues in 2007.

EMPLOYEES

The Competition Authority had 100 employees at the end of 2006. Of these 53 per cent are women and 47 per cent are men. 87 per cent of employees have a higher level of education. The percentage of women in management positions is 40.

The Competition Authority has recruited about 100 new staff members since 2004 under its reorganisation project, and the organization is consequently being affected by a high percentage of its employees having a relatively short period of service with the Authority.

To increase the available expertise within the Authority, a comprehensive in-house development programme has been carried out based on a combination of internal and external training activities. The Competition Authority spent NOK 3.3 million in 2006 on various courses and training activities. This amounts to approximately NOK 30,000 per member of staff, and about 8 per cent of the Authority's salary payments in 2006.

RECRUITMENT

37 people resigned and left the Competition Authority in 2006. Out of these, 33 cited the move to Bergen as being the main reason for leaving.

The Competition Authority published 24 job advertisements in 2006. 1,139 people applied for these positions and 30 people were appointed in 2006.

SICK LEAVE

The Competition Authority has signed the Agreement on a More Inclusive Workplace and is actively working to reduce sick leave. Absenteeism was 4.6 per cent in 2006, which breaks down as 5.8 per cent for women and 3.6 per cent for men. Sick leave is below the Authority's target of 5 per cent.

PERSONNEL FIGURES DISTRIBUTED BY GENDER

Position	Total	Women	Men
Managers	19	8 (42 %)	11 (58 %)
Senior Advisers	17	7 (41 %)	10 (59 %)
Advisers	40	19 (47,5 %)	21 (52,5 %)
Chief Executive Officers	16	11 (69 %)	5 (31 %)
Executive officers	8	8 (100 %)	0 (0 %)
Total	100	53 (53 %)	47 (47 %)



CASE STATISTICS, BUDGET AND ACCOUNTS

CASES RECEIVED BY THE COMPETITION AUTHORITY IN 2006

	2006
Mergers and Acquisitions	872
Complaints and tip-offs about violations of the law	91
Requests for identification of public regulations detrimental to competition	19
Cases for public enquiry	194
International cases	138
Administrative and other issues	311
The "skattefunn" compensation scheme	314
Total	1939

*Many enquiries never develop into a case, and many cases are closed without a formal resolution or formal decision.

CASES HANDLED BY THE COMPETITION AUTHORITY IN 2006

	2006
Interventions against mergers and acquisitions	2
Interventions against anti-competitive practices	0
Identification of public regulations detrimental to competition	2
Hearing submissions of significance	68
Rejections of requests for intervention (2004 Competition Act)	55
Administrative fines – failure to submit or late submission of notification of mergers and acquisitions	66
Decisions on duty to submit information to the Authority	3
Decisions regarding maximum fares for taxis	3
Decisions in "Skattefunn" cases	440
Other decisions	2
Administrative fines in total for violations of the obligation to notify a consentation	NOK 1 805 000

BALANCE

(Amounts in NOK thousand)	Ordinary operations	Relocation costs	KOFA
Allocated budget for 2006	79,025	23,121	5,000
Expenses in accordance with budget	79,017	21,661	5,028
Balance	8	1,460	-28

OPERATING EXPENSES

(Amounts in NOK thousand)	Ordinary operations	Relocation costs	KOFA
Salaries and other personnel expenses	44,316	9,002	3,711
Good and services	34,701	12,658	1,317

■ ■ **NORWEGIAN COMPETITION AUTHORITY 2006**

P.O. Box 439 Sentrum, NO-5805 Bergen, Norway

Visiting address: Olav Kyrres gate 8, Bergen

Phone: (+47) 55 59 75 00 / Fax: (+47) 55 59 75 99

post@konkurransetilsynet.no / www.konkurransetilsynet.no

Photos: Marit Hommedal, Thomas Bjørnflaten, Erlend Haukeland,

ScandinavianStockPhoto, GettyImages, Konkurransetilsynet

Concept / Design / Production: Gazette

Translation: English Language Services

