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Competition and E-commerce

In a speech given on 2nd March, 2001, the Commissioner for Competition Policy, Mr Mario Monti, spoke about the relationship between electronic commerce and the rules on competition. He pointed to five areas calling for attention: the need to avoid a situation in which control of the telecommunications networks might lead to distortions of competition; the "governance" of the Internet; "business-to-business" exchanges; "business-to-consumer" services; and market definition.

On the control of telecommunications networks, he rightly expresses concern about the possible use of that control to facilitate the leverage of the parties' positions into related markets: "this concern is a common one when looking at internet-related markets, given that vertical integration - the presence of the same companies on upstream and downstream markets - is frequent".

In the context of the "governance" (he does not use the word "control") of the Internet, his immediate concern is with the use of domain names. "Avoiding speculative, discriminatory and abusive registration or management of Internet domain names is crucial for securing the removal of geographical barriers to competition. We are therefore currently reflecting on the competition policy considerations related to the Domain Name System."

Both in relation to "business-to-business" exchanges and in relation to "business-to-consumer" services, Mr Monti is quite positive. He says, quite reasonably, that the effects on competition need to be carefully monitored, but concedes that, so far, the Internet appears to be stimulating competition, particularly in the second of these two categories. "Thus, when examining Internet book selling we found that the total costs of establishing on-line bookshops are relatively minor and there are no legal or regulatory barriers to entry. In addition, the availability of so called meta search-engines comparing prices for specific books across multiple online bookshops, make this market segment completely transparent market and therefore fiercely competitive."

As for market definition, this has always presented problems; and they are likely to be increased in the field of electronic commerce. For example, to take a basic point of principle, it is at least questionable whether on-line sales to consumers are part of the same market as offline sales of the same products; whether, in economic terms, the two services are "substitutable".

In concluding his comments on the subject, the Commissioner says that "the Internet is a wonderful enabling technology, which will in principle increase competition in many markets. Nevertheless, that does not mean that it is immune from competition problems." Bravo! ■