New Swedish Report on “Competition in Sweden”

In the spring of 2018, the Swedish Competition Authority (SCA) published a new report on “Competition in Sweden”. The report is the result of a government assignment to look at various aspects of the Swedish economy from a competition perspective. The SCA has undertaken similar assignments from the government in the past, most recently in 2013. This year the SCA was tasked with analysing the effects of digitalization and the circular economy on a variety of markets, many of which the SCA has built up significant knowledge in recent years.

The report emphasizes that competition implies the ability to choose. An effective market has active, critical and well-informed consumers. If consumers do not have the option of making a choice, are not capable of making a choice or do not want to make a choice, the positive effects of competition may be lost.

Increasing digitalization and efforts toward a more circular economy bring about large advantages for competition. Digitalization tears down geographic boundaries to the benefit of consumers, and the circular economy contributes to increased resource efficiency. Indeed, digitalization allows small companies to grow quickly based on the strength of what they have to offer. The development of smartphones and networks, combined with improved delivery options, have essentially freed consumers from their geographic circumstances. While industrialisation was largely driven by progress on the production side, with increased usage of resources, the greatest significance of digital services lies on the consumer side, with a possible result being the better use of available resources.

Furthermore, actions within the circular economy are a response to our increased awareness of sustainability issues. Ideally, these actions should also increase the reuse of goods and the recycling of materials in a way that increases the supply of goods and services, thus improving competition.

Increasing digitalization and the circular economy lead to greater resource efficiency, which promotes competition and benefits consumers. However, there are concerns on the horizon, for instance in the form of the large amounts of consumer data held by the platform market. The rules on consumer and data protection must keep in step with this development.

At the intersection between digitalization and the circular economy, new concepts will emerge and affect consumers and companies. Digitalization lends support to the circular economy by facilitating efficient exchange and usage of resources, not least in the growing sharing market.

The report further demonstrates that even if competition in Sweden is functioning well overall, there are still problems in the construction industry and the banking sector. In the assessment of the SCA, developments in the area of construction are moving in the right direction, in that more housing has been and is being built. However, it can be questioned if this is due to greater
competition or merely a result of the general current conditions in the form of high and increasing house prices combined with low interest rates. To promote competition in the construction industry, municipalities should demand that allotted plots of land are built on within a reasonable time. On the financial market, the most important issue is making it easier for consumers to purchase services from several different banks and other actors. Consumer mobility will hopefully increase through the revised Payment Services Directive (PSD2). Even if the rules in the directive have been implemented, continuous monitoring will remain important to ensure that the rules have their intended significance.

At its core, competition policy is an expression of consumer interest. Fast-moving developments mean that sector-specific agreements and market regulations can quickly become outdated. When the power of sector-specific regulation fades, the burden on competition authorities increases. In practice, this means that the area of responsibility of the SCA expands to an extent corresponding to the decrease in power and significance of the regulations of the sectoral authorities.

The Swedish version of the report is available here.

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