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European Commissioner for Competition Policy

## **Paraffin wax cartel and bank rescues**

*Check Against Delivery  
Seul le texte prononcé fait foi  
Es gilt das gesprochene Wort*

Opening remarks at press conference

**Brussels, 1<sup>st</sup> October 2008**

Ladies and gentlemen

Today I would like to inform you about a decision taken by the Commission to condemn a major cartel that fixed prices and shared markets for the sale of paraffin wax.

Paraffin wax is used in a wide range of products – tyres, car components, waxed paper, paper cups and plates, packaging, adhesive, chewing gum, the wax coating on cheese and, of course, candles.

There is probably not a household or a company in Europe that has not bought products affected by this cartel, with all that implies in terms of paying over the odds, higher costs and economic damage.

The cartel covered about 75% of the European market in paraffin wax, lasted for thirteen years and included ten companies, most of whose names will be very familiar to you. The companies have been fined a total of 676 million euros, the 4th largest fine ever imposed by the European Commission in a cartel case. This fine reflects both the long duration of the cartel, and the size of the market concerned – nearly 500 million euros a year.

The companies involved knew what they were doing and they knew that it was wrong.

In the beginning, the cartel met at the Blauer Salon – the blue saloon - a hotel bar in Hamburg, Germany. Sasol referred to the cartel by the code name of "the blue saloon group". Shell referred to the cartel in its internal documents as the "paraffin mafia". The cartel meetings subsequently took place at a series of top hotels all over Europe – Milan, Vienna, Budapest, Paris, Munich, Strasbourg and so on.

The "paraffin mafia" cartel ran from 1992 to 2005 - thirteen years. For those companies involved in the cartel throughout this period, thirteen was an unlucky number. Because under our new fines notice, the fine is increased by 100% for every single year of the cartel infringement. Shell was the first company to inform us about the cartel, and so benefited from total immunity from fines. Shell and its shareholders are lucky that it did so. As it has been involved in cartel activity before, it would have had its fine increased by 60% in this case. But by being the first to bring us evidence, Shell avoided a fine of 96 million euros.

ENI was not so lucky. It had its fine increased by 60% because of its earlier participation in the PVC and polypropylene cartels in the 1990s and 1980s. Its total fine is over 29 million euros.

Sasol was the leader of the paraffin mafia. As leader, Sasol's fine was increased by 50%. However, Sasol was also the second company that co-operated with the Commission and earned a reduction of its fine, which in the end amounted to 318 million euros.

The list of household names goes on.

Repsol of Spain was fined almost 20 million euros. This includes a reduction of 25 per cent because of their co-operation.

Exxon Mobil of the US was fined over 83 million euros. This includes a reduction of 7 per cent because of their co-operation.

Tudapetrol of Germany was fined 12 million euros.

Hansen and Rosenthal of Germany was fined 24 million euros.

MOL of Hungary was fined over 23 million euros.

RWE of Germany was fined over 37 million euros.

And Total of France was fined over 128 million euros.

I hope that the harsh lesson of these high fines will encourage the management of these companies to look very carefully at what their staff is doing. And I hope that in turn the shareholders of these companies look very carefully at the management.

In any case, they should not be under any illusion - such illegal cartel behaviour cannot and will not be tolerated by the Commission.

I would now like to mention briefly two other decisions taken by the Commission this morning, namely to approve the rescue aid of the UK bank Bradford and Bingley and to open an in-depth investigation into restructuring aid for the German bank WestLB.

As you probably know, a number of governments have decided to intervene to support ailing banks since the sub-prime crisis started in the United States and affected European financial markets.

The Commission is doing its utmost to support solutions to stabilising European banks. Our approach in the current crisis has two dimensions. First, we are acting to approve very quickly rescue measures for banks, in order to protect financial stability and avoid spill-overs on the rest of the economy. This is what we just did in the Bradford and Bingley case.

We were in contact with the UK authorities over the week-end to provide them guidance so that they could design a solution fitting in with the competition rules. We approved the Bradford and Bingley rescue in less than 24 hours after it was notified to us.

As regards restructuring aid, there is less a need for urgent reaction, and more a need to find appropriate solutions that will restore viability in the long-term. We also need to make sure that competition distortions are limited as much as possible. This will in general require more time, and more analysis. This is why we are today opening a detailed investigation on the WestLB restructuring aid. This investigation is a first step towards finding a viable long-term solution, in close contact with the German authorities. We did the same already in the Northern Rock, Sachsen LB and IKB cases a few months ago. The UK authorities also committed to submit a restructuring and liquidation plan for Bradford & Bingley within six months.

I am confident that, with the full commitment of all parties concerned, a sustainable solution for West LB can be found, just as we found a sustainable solution for Sachsen LB in June of this year.

We are currently in contact with Germany, Belgium, Luxembourg, the Netherlands, France and Ireland as regards rescue measures that took place in the last days. I will not go into detail on the individual cases but would like to underline the principles that guide the Commission's action in such cases.

First, - but I need not say that: the state aid rules are part of the solution, not part of the problem. The application of the state aid rules by the Commission in an equitable and objective manner is a vital contribution to a coordinated European reaction to threats to the viability of individual financial institutions and to the stability of the financial system as a whole.

EU competition rules are fit to the current test of the banking crisis. The Commission is proving that it is a reliable discussion partner that it can act quickly and with determination to support national action and at the same time to always guarantee the common European interest and ensuring a level playing field.

One of the great attributes of the state aid rules is that they can be applied in widely varying situations because they are based on the sound and straightforward principle that any distortion of competition must be in proportion to the objective of the aid in question. They are even more relevant today, to make sure that governments do not forget about this great asset that is the European single market.

When Europe was confronted with a banking crisis in the 1930s, governments decided to go national, to retreat from European markets and close their borders. Protectionism was not the solution at the time, as we very well know. Let us not make the same mistake twice.

So I would like to plead to national governments today not to act unilaterally, but rather to continue their practice of consulting the Commission when they are confronted with problems that may require state aid to the banking sector.