

National Report on Economic Reform of the Product and Capital Markets

Sweden

November 2003



Foreword

The aim of product and capital market reforms is to improve the functioning of the markets. In turn, better functioning markets create the conditions needed for high and sustainable growth and employment. Reforms also benefit consumers by contributing to lower prices and a greater selection of goods and services.

Within the framework of EU cooperation, Member States coordinate economic policy in the Council. This coordination is based on Member States' treaty obligations to consider economic policy a matter of common interest.

The Broad Economic Policy Guidelines are the main instrument of coordination.¹ The Guidelines contain general recommendations for economic policy actors and include both macroeconomic and structural policy.

In addition, there are several important processes dealing with various aspects of economic policy in more detail, such as the EU employment strategy and the Cardiff process of economic reform.

The Cardiff process under the ECOFIN Council aims at improving the functioning of the product and capital markets by ongoing surveillance and the exchange of good practice. The annual process begins with the presentation of a report by each Member State describing the national reform effort in the product and capital markets. The Commission then makes an assessment of how the markets are functioning from a Community perspective in what is called the Cardiff report.² Member States also review each others' work on reforms within the framework of multilateral surveillance.³

The recommendations in the Broad Economic Policy Guidelines provide the basis for the national reports as well as the review of Member States' economic reforms. The Competitiveness

Council conducts in-depth reviews of the internal market aspects of the Cardiff process.

In 2000, the European Council in Lisbon established a strategic goal for the EU for 2010 and a concrete strategy for achieving it. The goal is to make the EU the world's most dynamic and competitive knowledge-based economy, with sustainable economic growth, more and better jobs and greater social cohesion. At the Gothenburg European Council in 2001, an environmental dimension was added to the strategy. The annual spring meeting of the European Council was established with the aim of ensuring effective surveillance of progress under the Lisbon strategy. The various processes in the structural policy area are important instruments for implementing the measures agreed under the Lisbon strategy.

Economic reforms in the product and capital markets are key components of the work to achieve the objective set in Lisbon. The result of the Cardiff process thus constitutes an important contribution to the establishment of priorities within the Lisbon strategy.

The Ministry of Finance, in cooperation with the other ministries concerned, has prepared the National Report on Economic Reform of the Product and Capital Markets. It complements Sweden's National Employment Action Plan, drawn up as part of the EU employment strategy, and Sweden's convergence programme, which is presented in the framework of the Stability and Growth Pact.

¹ Council Recommendation on the broad guidelines of the economic policies of the Member States and the Community (for the 2003-2005 period), 26 June 2003.

² European Commission, "Economic Reform: report on the functioning of community product and capital markets", COM (2002), 743 final.

³ See Economic Policy Committee, "Annual Report on Structural Reforms", ECFIN/EPC/083/03-EN.

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I. THE WORK ON ECONOMIC REFORM IN THE EU

The National Report on Economic Reform is part of the follow-up to the Broad Economic Policy Guidelines for the economic policy of Member States and the Community. These guidelines include recommendations to Member States on economic policy matters. The most recent guidelines were adopted by the ECOFIN Council in June 2003.⁴

While taking short-term requirements into account, the emphasis of the Broad Economic Policy Guidelines for 2003–2005 is on how economic policy in the coming three years can contribute to achieving the Lisbon goals of increased growth, employment and competitiveness. The guidelines focus on the most important and highest priority economic-policy issues of the next three years in the following areas: (i) a growth and stability oriented macroeconomic policy, (ii) economic reforms to raise growth potential in the EU, and (iii) sustainable economic, social and environmental development in the long term.

The Cardiff process concentrates on economic reforms to enhance the potential for growth. Among the economic reform issues, Member States are urged to;

- foster competition in goods and services markets,
- accelerate the integration of EU capital markets,
- generate a business climate that supports entrepreneurship and the establishment of small and medium-sized businesses,
- take active measures to promote investment in knowledge, new technology and innovation,
- enhance the contribution of the public sector to growth, and
- promote environmental sustainability through a combination of regulations and market-based instruments.

The Broad Economic Policy Guidelines apply to all Member States and to the Community as a whole. The conclusions of the Competitiveness Council and the Internal Market Strategy complement or expand on several of the recommendations for economic reforms.

Within the framework of the overall economic policy strategy, key economic policy challenges may differ across Member States. Country-specific economic policy recommendations with due consideration for these differences have been approved. On the issue of product markets, it was recommended that Sweden step up its efforts to enhance competition in sectors in which it is inadequate and to continue to work to improve the efficiency of the public sector.

The National Report on Economic Reform is to be regarded as a review and follow-up of Sweden's measures in line with the Broad Economic Policy Guidelines for 2003–2005 with respect to the product and capital markets, with consideration also given to the conclusions of the Competitiveness Council. The report describes developments in the product and capital markets, identifies remaining barriers and points out measures that have been taken or are under consideration. A special effort is being made to follow up on the country-specific recommendations for Sweden. The challenges for Sweden identified in the multilateral country examination in the EU in 2003 also form a background to the report. In addition, the current report – which is the sixth in succession – is also a follow-up to the 2002 national report and previous years' reports.⁵ These reports describe in more detail the reforms taken in previous years. The report this year focuses on measures taken in the past year.

⁴ Council Recommendation on the broad guidelines of the economic policies of the Member States and the Community for the 2003-2005 period, 26 June 2003.

⁵ For the National Reports submitted by Sweden and other Member States, see: http://www.europa.eu.int/comm/economy_finance/epc/epc_country_examinations_en.htm

II.A SWEDEN'S INTERNATIONAL COMPETITIVENESS AND GROWTH POTENTIAL

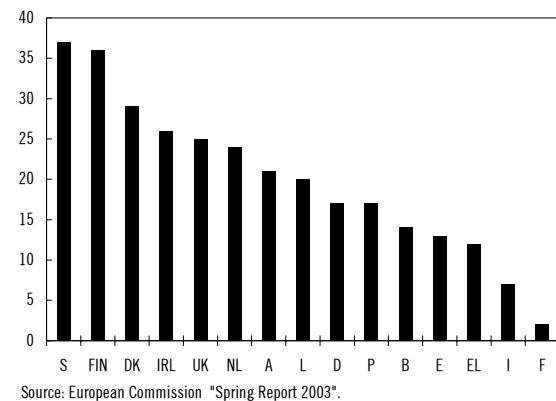
1 Introduction

The Government is pursuing a long-term policy to enhance Sweden's growth potential. The basis is a macroeconomic policy for stability and sound public finances. A number of reforms, including increasing the labour supply and competition in the economy, have been implemented. There has been a significant investment in education, research and infrastructure.

This policy has produced results. From 1994 to 2002, real GDP in Sweden grew at an average annual rate of 3.3 per cent. In comparison, average annual growth in the EU was 2.3 per cent. The Government's policy aims at further enhancing Sweden's growth potential. The conditions for this work are good. The Commission's latest review of the goal established by EU Member States in Lisbon in 2000 shows that Sweden scores among the top three countries more often than any other country in various comparisons.⁶

Figure 1. Top performers under the Lisbon strategy

Number of structural indicators for which a country ranked 1–3



Sweden is in the forefront when it comes to economic reforms, employment, the environment, and research and innovation. Sweden is

⁶ Every year there is a follow-up of Member States' efforts to achieve the goal by comparing some 40 indicators and some 100 subindicators, such as employment, growth, inflation, price evolution, etc. The indicators are available at <http://europa.eu.int/comm/eurostat>. The follow-up is presented at the spring meeting of the European Council. See also "Choosing to grow: Knowledge, innovation and jobs in a cohesive society", Report to the Spring European Council, 21 March 2003, COM(2003)5.

also one of the countries that do best in implementing the Broad Economic Policy Guidelines in the EU.⁷

Future Action for Reform

Economic reforms with the aim of increasing competition contribute to higher growth and increased employment through lower prices and a greater selection of goods and services. Work on economic reform is thus crucial to further increasing Swedish companies' international competitiveness and improving Sweden's long-term growth potential. The work to enhance economic motivators for individuals, companies, public authorities and other institutions will therefore continue.

In the 2004 Budget Bill, the Government has emphasised a number of areas judged to be especially important for improving the conditions for growth and renewal in Sweden.⁸ These matters concern enhancing the climate for innovation, making it easier for small and medium-sized businesses and implementing measures for more effective competition. The proposals being prepared include;

- an increased supply of capital early in the development phase,
- promotion of cooperation in research and development between higher education and the business sector,
- selective increases in the resources for applied industrial research,
- shorter processing times for registering companies and conducting environmental assessments,
- work to make the regulatory regime for competition more effective and modernise it, especially with respect to fighting cartels, and
- a continuation of the effort to increase the number of trained researchers.

In addition, it is the Government's view that both capital taxes and corporate taxes may need to be reviewed as part of a long-term strategy to maintain Swedish companies' competitiveness. The Government is also proposing tax

⁷ The Commission's Communication on the Implementation of the 2002 Broad Economic Policy Guidelines, 14 January 2003, COM (2003) 4.

⁸ Government Bill.2003/04:1, "The Budget Bill for 2004".

relief for closely-held companies, beginning in 2004.

Several measures are being taken to strengthen Sweden as an exporting nation such as promoting the commercialisation and export of Swedish environmental technology, increasing support and improving advice to companies having an interest in and potential for trade in the Baltic Sea region and establishing a methodology development centre to counteract obstructive bureaucratic practices.

A fundamental element in the Government's policy to increase growth is a broad dialogue with the business sector and other labour market partners. Cooperation with the business community will be especially important in the work to simplify the regulations for small businesses and to strengthen the climate for innovation.

1.1 The Competitiveness of the Swedish economy

Competition and the pressure for structural change increased in Sweden during the 1990s. Important sectors such as telecommunications and energy were opened to competition and the legislation on competition was tightened. In many instances exposure to competition has been more rapid and more extensive than in other EU countries. The Swedish product market has evolved into one of the least regulated in the EU.⁹ This, in combination with stable macroeconomic conditions and EU membership, has contributed to a higher degree of economic integration with other countries.

The picture of Sweden shown by various benchmark studies is that Sweden's competitiveness is relatively good. By way of example, the World Economic Forum ranks Sweden fifth, an improvement over the previous year and second among EU countries.¹⁰ IMD put Sweden in 7th place among countries with fewer than 20 million inhabitants, with three EU countries ahead of it in the ratings.¹¹

⁹ OECD, 2002, "Economic Outlook #71".

¹⁰ World Economic Forum, "The Global Competitiveness Report 2002-2003".

¹¹ IMD 2003, "World Competitiveness Yearbook 2002".

Moreover in the past ten years, the relative unit cost of labour, measured in the national currency, with few exceptions, has fallen more in Sweden than in competing countries. This development is expected to continue for the next few years.¹²

1.2 Productivity growth

Labour productivity in Sweden is slightly below the EU average.¹³ This finding is true irrespective of whether labour productivity is measured per number employed or per hour worked. However, this statistic should be interpreted with caution as productivity is not always measured in the public sector and productivity measures in the service sectors are often inadequate.

Comparisons of productivity between countries are affected to a large extent by the assumption made about productivity growth in the public sector. In the Swedish National Accounts, the annual productivity growth in the public sector is by definition set at zero per cent. As a result, Sweden's productivity level is systematically understated compared with countries that calculate a positive productivity growth in the public sector.

Estimates for the manufacturing sector show productivity to be just below the average for a number of important competitor countries. Similar estimates for the service sector show its labour productivity to be about 10 per cent below average.¹⁴ However, it should be noted that the relative position of the Swedish business sector has improved considerably since the beginning of the 1990s. This improvement is mainly due to the higher productivity growth in industry in Sweden than in comparable competitor countries during the 1990s.¹⁵ One cause contributing to Swedish

¹² Government Bill. 2003/04:1, "Budget Bill for 2004".

¹³ Eurostat, 2003, Structural Indicators.

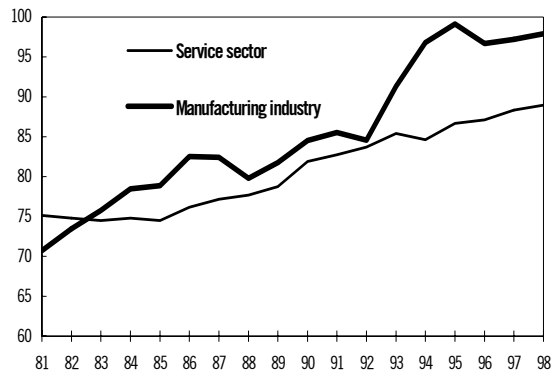
¹⁴ SOU 2003:45, "Sveriges konkurrensfördelar för export och internationell produktion" (Sweden's competitive advantage in exports and multinational production).

¹⁵ The productivity is due to higher multifactor productivity growth during the 1990s compared with the previous ten years. Ekonomisk Debatt nr 5, Lind 2003, "Svensk industriproduktivitet i ett internationellt perspektiv under fyra decennier – vad kan vi lära av 1990-talet?" (Economic Debate Nr. 5, Lind 2003, Four decades of Swedish industrial productivity in an international perspective – what can we learn from the 1990s?).

productivity growth is the vigorous expansion of the information, communication and technology sector.

Figure 2. Labour productivity in Sweden compared with some competitor countries

Competitor countries=100



Note: Competitor countries = Denmark, Finland, Italy, Norway, Germany, UK and USA
Source: OECD 2002, DSTI (STAN database; MSTI database).

1.3 Price developments

The average price level in Sweden is currently about 20 per cent above the EU average.¹⁶ However, the price level differences vary considerably from sector to sector.

According to the Swedish Competition Authority (Konkurrensverket), there are several explanations for Sweden's high prices in comparison with the EU average. Changes in the exchange rate explain a large part of the short-term fluctuation in the price level, especially between 2000 and 2001. Transport costs are higher in Sweden owing to its geographical position and the sparsely settled structure of the population. Nevertheless, it is estimated that about half of the price difference is still due to insufficient competition.¹⁷

Competition is still weak in a number of industries. In Sweden, the percentage of household purchases made in highly competitive markets is lower than the EU average, even though the percentage has risen in the 1990s.¹⁸

In autumn 2003, the Government presented a proposal for a new law on price information.¹⁹ The proposal means that the obligation to provide price information will be expanded to cover, in principle, the entire consumer area. The proposal means that the price information law will also apply to energy, telecommunications and financial services. The obligation to provide price information means that the total cost to the consumer must be transparent. The Government is also proposing to include a provision in the law for the possibility of introducing comparative prices for products that are currently not covered by the law. It may apply to various services, but also to other utilities, for example, electricity and mobile telephony. There is a proposal to make the new law a framework law, which means that the Government or the public authority designated by the Government will have the task of drawing up detailed instructions on price information. The initial assumption is that the Swedish Consumer Agency (Konsumentverket) is being given the task, but some other public authority may also be considered. The new law is proposed to come into effect in October 2004.

Competition in certain sectors

In the country-specific recommendations in the Broad Economic Policy Guidelines, Sweden is encouraged to increase efforts to improve competition in those sectors in which it is judged to be inadequate. The Government has noted that competition in the food sector and the construction sector needs to be improved.

The Competition Authority had a mandate from the Government to analyse competition in the market for everyday commodities.²⁰ One observation in its report was that the price level for food in Sweden is about 11 per cent higher than the EU average, and 6 per cent higher excluding VAT. In addition it was noted that concentration in the food sector is still high and has increased in recent years. The increasing centralisation of purchasing and

¹⁶ Eurostat 2003, Structural Indicators.

¹⁷ Swedish Competition Authority, 2002:5, "De svenska priserna kan pressas!". Summary in English entitled: "The price level in Sweden".

¹⁸ Center for Business and Policy Studies [Studieförbundet Näringsliv och Samhälle (SNS)], Ganslandt & Nyberg 2002, "Konkurrens på nya villkor" (Competition on new terms).

¹⁹ Lagrådsremiss (Proposal referred to the Council on Legislation for consideration), "En ny prisinformationslag" (A new price information law).

²⁰ Swedish Competition Authority, 2002, "Dagligvaruhandeln – struktur, ägarform och relation till leverantörer" (Trade in convenience goods – structure, form of ownership and relation to suppliers).

choice of product mix may result in new and small suppliers being forced out of the market. The percentage of shops with a low-price profile is increasing generally, but from an international perspective, it is still low. In 2003 an international discount chain has opened shops in Sweden.

The Competition Authority points out that the application of planning and building legislation may constitute an obstacle to competition. A parliamentary committee has been appointed to review planning and building legislation.²¹ One of its duties will be to analyse how various aspects of competition are taken into account in physical planning and examine if and how such planning can yield better conditions for increased competition in the retail trade and construction sectors. The committee's findings are to be reported no later than the turn of the year 2004/05.

The Construction Commission has presented in a report a number of proposals for changes.²² These changes concern conditions for competition and cost pressure, together with the public authorities' supervision and cooperation in improving the functioning of the construction sector. The Government Offices are reviewing the proposals. As part of Nordic cooperation, a project to enhance cooperation with the aim of increasing competition and trade in the building sector involving the Nordic countries, the Baltic countries and Poland has begun. The work is concentrated around three main issues: the importance of national regulatory regimes, labour mobility and a better knowledge of how the market and the competition function. An action plan is to be produced before the summer of 2004.

2 Economic reforms: effects and experiences

The enhanced competition in Sweden's economy generally appears to have had a positive impact in the form of new and better services.²³ For example, the reform of the telecommunications market has led to a substantial increase in the number of service providers at the same time as new services have been developed and prices have been sharply reduced for some telephone services.

The comprehensive reforms in network industries in the 1990s have on the whole yielded positive results. A report on the reform experience in these industries points out that the deregulation of the electricity, telecommunications and railway markets has resulted in efficiency improvements of about 5 to 10 per cent.²⁴ In addition, the report emphasises that experience clearly shows that the regulatory authorities have an important role to play, even after deregulation. These authorities should be strong and independent. From the very beginning they should make plans for follow-up and evaluation and should collect reliable price statistics. The report also stresses that it is better to implement reforms gradually rather than make sweeping and drastic reforms.

The Government is monitoring developments and adjusting the regulatory framework on an ongoing basis to ensure good competition and sound consumer protection. However, the Government would like to have a total picture of the results from the evaluations made of the deregulated sectors. A review to this effect will be initiated in autumn 2003. In addition, the Government has requested the OECD to examine how the work to reform regulations and institutions in Sweden has affected the conditions for competition, trade and investment. The review is taking place within the framework of the OECD's Regulatory Reform Programme.

²¹ Dir.2002:97.

²² SOU 2002:115, "Skärpning Gubbar" (Shape up fellas).

²³ The Competition Authority 2003, "Konkurrensen i Sverige 2002". Executive summary in English entitled: "Competition in Sweden 2002".

²⁴ Ds 2002:21, "Lärobok för regelnissar – en ESO-rapport om regelhantering vid avreglering" (Textbook for bureaucrats – an ESO report on rule management in conjunction with deregulation).

II.B PRODUCT MARKETS

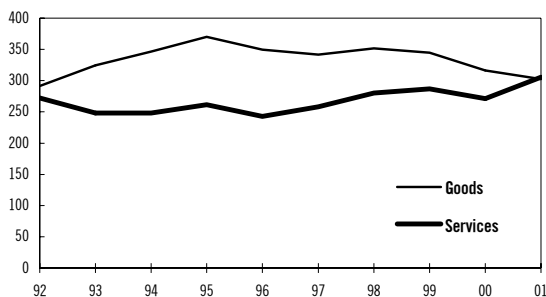
1 Economic integration

The internationalisation of the business sector and economic integration have increased steadily in the 1990s. In 2001 the highest level of foreign ownership thus far in Sweden was measured, calculated both by the number of companies and the number of employees. At that time, almost 8 000 foreign-owned companies employed slightly more than 500 000 people, about 20 per cent of the total number employed in the business sector.²⁵ The majority of the foreign owned firms currently are legally domiciled in another EU country. The UN is of the opinion that Sweden will be one of the most attractive EU countries for foreign direct investment in the next few years.²⁶

The sum of exports and imports is equivalent to 80 per cent of GDP and exceeds the EU average. In 2003 both exports and imports have grown much more rapidly than domestic demand. This development is expected to intensify in 2004 and 2005.²⁷

Figure 3. Trade integration of goods and services with other EU countries in relation to GDP

EU-15=100



Note: Average values of imports and exports of goods and services as a percentage of GDP. Swedish figures in relation to EU average.
Source: Eurostat 2003, Structural Indicators.

1.1 Completing the internal market

Since joining the EU in 1995, Sweden has been one of the countries with the highest percentage of implemented internal market directives. In May 2003 the percentage of

²⁵ ITPS 2003, "Foreign owned enterprises 2001".

²⁶ UNCTAD, "World Investment Report 2003".

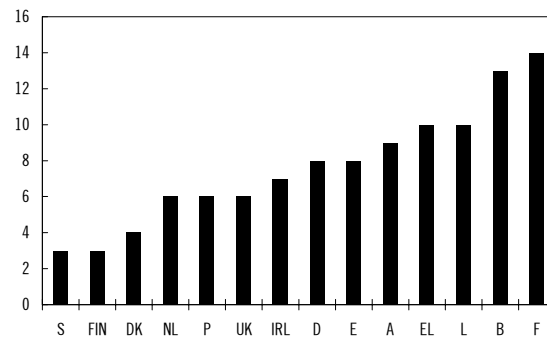
²⁷ Government Bill 2003/04:1, "Budget Bill for 2004".

internal market directives not implemented came to 1 per cent, a better result than the previous goal set for spring 2003.²⁸

In the event that a directive is incorrectly transposed, the European Commission initiates an infringement procedure. Sweden holds first place when it comes to avoiding infringement actions, an improvement over the preceding year, when Sweden took second place.

Figure 4. Time taken to implement outstanding internal market directives, 2003

Average number of months



Source: European Commission 2003, "Internal Market Scoreboard"

Only one directive remained to be implemented in order for Sweden to meet by spring 2003 the target for Member States to have implemented all directives outstanding for more than two years.²⁹ In addition, along with Finland, Sweden is the promptest of the EU countries to correct a backlog.

1.2 Remaining barriers to trade

Sweden is among those Member States with the fewest complaints about the incorrect application of the mutual recognition principle in the formulation of technical rules for goods.³⁰ This may be a result of horizontal measures in the internal market as well as the Swedish public authorities' work to systematically incorporate clauses on mutual recognition into their rules.

With the aim of improving conditions for a well-functioning internal market for services,

²⁸ European Commission, May 2003, "Internal Market Scoreboard." The target was a maximum implementation deficit of 1.5 per cent of directives.

²⁹ Dir.98/44/EC on the legal protection of biotechnological inventions.

³⁰ National Board of Trade, 2002, "Problem för fri rörlighet på den inre marknaden" (Problems of free movement in the internal market).

the Government has commissioned the National Board of Trade (Kommerskollegium) to present two reports in fall 2003. The aim of one report is to examine how best to tackle and take measures to solve the problems common to a number of service sectors. The other report will study the country of origin's importance in service providers' opportunities to offer their services in Sweden.

One route when affected by a trade barrier is to seek help from a SOLVIT Centre.³¹ The SOLVIT (Internal Market Problem-Solving) network has been in operation for one year and has proved to be an effective instrument in removing obstacles to trade between Member States. As a result of a number of marketing initiatives, Swedish companies' awareness of SOLVIT has increased significantly.³²

2 The impact of regulatory regimes on the markets

Efficient markets presuppose well designed regulatory regimes that correct market inefficiencies, foster entrepreneurship or help achieve economic objectives. Stable frameworks for well-functioning markets include an active competition policy, a restrictive policy for state aid to individual companies and sectors, transparent rules for public procurement and minimal administrative barriers to business. The Government monitors regulatory regimes that affect the functioning of the markets with the aim of enhancing and adapting them to new conditions in Sweden and the rest of the world.

2.1 Competition policy

Competition policy is crucial to ensure efficient markets and strengthen competition in sectors where it is inadequate. Swedish competition legislation has been modelled on European Community rules on competition. The Competition Authority exercises over-

sight in accordance with the competition legislation.

New rules to fight cartels more effectively came into force in August 2002.³³ The new rules, which mean that fines for competition damages may be waived or reduced for someone who discloses a cartel and thereby makes the Competition Authority's investigation easier, has already been enforced as far as a reduction is concerned. The reform is thought to have increased awareness in the business sector of issues related to cartels. The question of criminalising infringements of prohibitions in the competition law will, in accordance with the request by the Riksdag, be given further consideration.

As a way to combat cartels more effectively, Sweden – subject to the Riksdag's approval – signed a cooperation agreement with Denmark, Norway and Iceland in April 2003.³⁴ The agreement is expected to improve the prospects of fighting cartels and conducting investigations in connection with the concentration of undertakings.

The EU's Council of Ministers adopted a new regulation³⁵ on modernising the enforcement of the competition rules. As a consequence of this reform, the Government instructed a special investigator to analyse the need for changes in the Swedish regulatory framework. The special investigator presented proposals in July 2003 and after the consultative procedure is completed, the Government Offices will review the proposals.

2.2 State aid

To avoid distorting competition, Sweden has put into effect a restrictive policy on state aid to individual companies and the sectors. In 2001 Sweden's total state aid came to 0.71 per cent of GDP, while the EU average was 0.99 per cent. For Sweden, as well as the EU as a whole, this represents a decrease from previous years. This decrease is in line with the objectives on reduced state aid set at meetings

³¹ SOLVIT is a network for informal cooperation between Member States' administrations to which companies and individuals can turn to get help when they have come up against barriers to free movement in the internal market.

³² National Board of Trade, Årsredovisning (Annual Report) 2002, dnr 942-460-02.

³³ Government Bill 2001/02:167, "Ändringar i konkurrenslagen för effektivare kartellbekämpning m.m." (Amendments to the Competition Act in order to fight cartels more effectively, etc.).

³⁴ A decision by the Riksdag is expected in October 2003.

³⁵ EC regulation 2003/1, December 16, 2002, on the application of competition rules in Articles 81 and 82 of the Treaty.

of the European Council in Stockholm in 2001 and Barcelona in 2002.

In addition to the efforts to reduce the extent of state aid in the EU, attention has been called to the importance of redirecting the aid to horizontal measures of common interest – for example, improving the environment. In Sweden, aid to the manufacturing industry has all been directed to horizontal objectives for a long time. The distribution of aid between various objectives and sectors is largely unchanged from previous years.

2.3 Simplification of legislation and other improvements for small and medium-sized businesses

The Government wants to promote conditions conducive to an increase in the number of start-up companies. Measures with the aim of reducing the administrative burden on companies play an important role in this respect.

The Ministry of Industry, Employment and Communications is reviewing all proposals for new or modified rules made by the Government Offices in the context of the SimpLex regulation.³⁶ Proposals for regulations are being reviewed and impact assessments are being carried out or supplemented. Education programmes are carried out on an ongoing basis.

In the Budget Bill for 2003, the Government announced that a quantitative target for reducing the administrative burden would be developed. Moreover, the Riksdag gave notice that a review of the entire regulatory regime affecting business is to be made during its present mandate. An action plan for reducing the administrative burden will be produced to meet this target. A proposal for a way of measuring the administrative burden, worked out by the Swedish Institute for Growth Policy Studies [Institutet för tillväxtpolitiska studier (ITPS)], has been presented and is currently being circulated for comment.³⁷ The goal is to

³⁶ Förordning (1998:1820) om särskild konsekvensanalys av regleras effekter för små företags villkor (Regulation on special consequence analysis of the impact of regulations on conditions for small business).

³⁷ ITPS Slutrapport 2003-03-31, Förslag till metod att mäta företagens administrativa börda till följd av regelverken (Final report: Proposals for methods of measuring businesses' administrative burden as a result of the regulatory regime).

be able to begin a first test measurement toward the end of 2003.

Work on various ways to improve and facilitate contacts with small and medium-sized businesses is underway in a number of public authorities. In 2001, a service dialogue and other services for citizens and entrepreneurs, began on a trial basis, with twenty some public authorities participating. Research revealed several positive effects in the form of increased service, insight, participation and confidence.³⁸

In late 2001 some thirty central government public authorities and agencies started Företagsguiden (The Entrepreneur's Guide). It is an interactive web site with the aim of helping entrepreneurs to get information and answers to questions. The experience gained from the project is expected to be very good, both with respect to companies' use of the service and improvement of the information that the participating authorities provide to small businesses.

The authorities' work developing information technology solutions aimed at improving public authorities' services for companies is continuing. For example, most public authorities now post their proposals for regulatory changes on their home page during the consultation period. It is the Government's goal that all services that can be offered electronically on a cost-effective basis are to be provided in this way. The Government has decided to appoint a committee to stimulate the use of electronic services in the public sector. The committee is to report the results of its work no later than November 2006. Progress reports are to be made semi-annually, starting in May 2004.

2.4 Corporate and capital taxation

The Government strives to make tax rules for various forms of small business and their owners that, as far as possible, are uniform and simple.

The Riksdag has decided to abolish the capital gains tax on limited liability companies whose shares are not listed, beginning in July

³⁸ The Swedish Agency for Public Management (Statskontoret) rapport nr 2003:9, Lyssna för att lära och lova (Report: Listen in order to learn and to promise).

2003.³⁹ The new rules eliminate the fundamentally flawed cascading tax in the corporate sector. To counteract any tax avoidance arising from the changed rule that might weaken the Swedish corporate tax base, the Government is proposing new rules for the taxation of controlled foreign companies.⁴⁰

Beginning in 2003 the Government introduced new rules on the taxation of shareholders in closely-held companies who are also active in the company. The new rules mean that shares in closely-held companies are covered by the rules about deferred taxation.⁴¹ This is important in the event that the participants in a closely-held company sell shares in the company as payment for shares in another company, that is, an exchange of shares. The new rules mean that the tax on the shares sold is first decided when the shares are finally sold.⁴²

The Government also intends to make the so-called 3:12 rules more favourable for owners of closely-held companies. Beginning with the 2004 tax year, the so-called splitting interest rate will go up 2 percentage points. A second stage will be supplemented with proposals that will apply beginning with the tax year 2005. In the long term, these measures will provide tax relief amounting to SEK 1 billion.⁴³

To make it easier to transfer unlisted companies from one generation to the next, the Government is of the opinion there should be a further relaxation of the rules for valuing company assets for the gift tax. The relaxation should include such measures as allowing a gradual transfer of a company. To facilitate opportunities for self-financing among financial cooperatives, the right to deduct the dividend on paid-in capital is being introduced.

³⁹ SFS 2003:224-225, "Lag (2003:224) om ändring i inkomstskattelagen (1999:1229)" (Law on changes in the income tax law), "Lag (2003:225) om ändring i lagen (1999:1230) om ikraftträdande av inkomstskattelagen (1999:1229)" (Law on changes in the law on the coming into force of the income tax law).

⁴⁰ Government Bill. 2003/04:10, "Straffrättsliga sanktioner mot överträdelse av EG:s punktskatteregler för alkohol, tobak och mineraloljor" (Sanctions in the criminal law against infringements of the EC excise tax on alcohol, tobacco and mineral oil).

⁴¹ Under the old rules, the tax was decided at the time the shares changed hands. The deferment lasts until the new shares are finally disposed of.

⁴² SFS 2002:1143-1144, "Lag (2002:1143) om ändring i inkomstskattelagen (1999:1229)" (Law on change in the income tax law) and "Lag (2002:1144) om ändring i lagen (2001:1227) om självdeklarationer och kontrolluppgifter" (Law on changes in the law on self-declarations and statements of income).

⁴³ Government Bill. 2003/04:1, "Budget Bill for 2004".

Start-up companies often have difficulty predicting the first year's profits; hence, they also have difficulty paying the correct preliminary tax. Therefore, to make it easier for start-up companies, payment of the preliminary tax, income tax, social security contributions, etc. may be deferred for three months, beginning with the 2003 tax year.⁴⁴

A commission with the task of reviewing certain restructuring issues, such as taxes on the withdrawal of capital and transfers at too low a price, is underway. The commission is to report its findings by July 2004 at the latest.⁴⁵

Because of the EC directive on the valuation of and accounting for financial instruments⁴⁶ the Government submitted a bill to transpose the directive into Swedish law in May 2003.⁴⁷

2.5 Public sector efficiency

The country-specific recommendations in the Broad Economic Policy Guidelines state that Sweden should increase efficiency in the public sector by such measures as improving the framework conditions for increased competition and promoting the benchmarking of public sector efficiency.

In Sweden, municipalities and county councils are responsible for a substantial part of public activities, such as health care, schools and social services. Thus it is the municipalities and county councils that have the legal right to decide how their array of public services is to be organised. However, the central government is responsible for the overall regulatory framework for municipal activities, which in some instances affects the municipalities' freedom to organise the work.

It is the Government's view that the work on developing alternative forms of operation should be encouraged, but at the same time, there is reason to monitor the development of welfare services closely. It is important to the Government that developments in health care,

⁴⁴ SFS 2002:1005, "Lag (2002:1005) om ändring i skattebetalningslagen (1997:483)" (Law on changes in the tax payment act).

⁴⁵ Dir. 2002:28, "Vissa företagsskattefrågor" (Some questions on the taxation of companies).

⁴⁶ 2001/65/EC.

⁴⁷ Government Bill. 2002/03:121, "Redovisning och värdering av finansiella instrument" (Reporting and valuation of financial instruments). See also Ds 2002:42, and Ds 2002:61.

schools and social services are consistent with the following fundamental principles: the activity is democratically run, it is jointly financed and it is available to all citizens on equal terms.

Competition in the public sector is one of several instruments for achieving increased efficiency in the use of resources and providing a variety of services that the public values. The central government can contribute to streamlining the public sector by providing a regulatory regime that makes competition on equal terms possible and by increasing consumer awareness. To achieve this, new measures have been taken to strengthen the law on public procurement and to disseminate information about the results of public activities. In addition, the Swedish Association of Local Authorities (Kommunförbundet) is working to provide information on how competitive means can best be used at the local level and to spread examples of good practice.

Alternative forms of operation and competition on equal terms

In the past decade, the presence of competition in the public services sector has increased considerably. In the welfare services sector, the percentage of those employed in alternative forms of operation has more than doubled since the beginning of the 1990s.⁴⁸

Table 1. The percentage of children, students and persons in need of education and care serviced by private sector actors

Per cent	1998	2002
Preschool	13.3	17.0
Nine-year compulsory school	3.0	5.7
Upper secondary school	3.5	8.2
Care of Elderly:		
- Home help	7.1*	8.5
- Special housing	10.9*	12.5

Note: * Refers to the year 2000.

Sources: Skolverket 2003, "Jämförelsetal för huvudmän, del 1 2003" (Comparative indicators for principals), Skolverket 1999, "Beskrivande data om barnomsorg och skola" (Descriptive data on childcare and schools), The National Board of Health and Welfare (Socialstyrelsen) 2003, "National action plan for the development of health care".

In 2001 a third of municipal operating costs spent on goods, services and contracts were

⁴⁸ SOU 2001:52, "Välfärdstjänster i omvandling" (Welfare services in transition).

produced by others than the municipalities themselves.⁴⁹ In 2002, more children, students and elderly received care or education from a private actor than did so in 1998.

A study by the Competition Authority shows that introducing competition in the public sector has generally had a positive impact on the economy and consumers. However, in the case of recurring, the differences in the various tenders received have proved to be small. There are also indications that some procurement markets are moving toward increased market concentration.⁵⁰

The Competition Authority has been instructed to present an analysis of competition in dental services by no later than the turn of the year 2003/04.⁵¹ The National Board of Health and Welfare (Socialstyrelsen) is to present a report mapping out the current extent of competition in elder care, users' experience respecting quality and the impact on costs of opening elder care to competition.⁵²

The Government will also continue to observe the competition situation between public and private actors. To bring about a greater degree of competition on equal terms between public and private actors, a proposal is now being considered in the Government Offices to introduce a conflict resolution rule in the competition law.

Benchmarking

The Council for Municipal Analyses and Comparisons [Rådet för kommunala analyser och jämförelser, (RKA)] was established in September 2002 and is to present a final report on its work in September 2005. The Council is to develop and make available national key indicators. It is also to use various means to promote comparative analyses across municipalities and across county councils. The RKA's municipal database, accessible on the Internet, contains more than 100 ratios

⁴⁹ Swedish Association of Local Authorities, 2003, "Kommunernas marknadsanvändning år 2001" (Market use by local authorities in 2001).

⁵⁰ Swedish Competition Authority, 2002, "Safeguarding and creating competition".

⁵¹ Regleringsbrev för budgetåret 2003 avseende Konkurrensverket (Appropriation directions for budget year 2003 for the Swedish Competition Authority).

⁵² Regeringsbeslut 2003-04-16, "Uppdrag med inriktning på konkurrensutställning inom äldreomsorgen" (Commission focused on opening elder care to competition).

respecting such areas as education and social services.⁵³

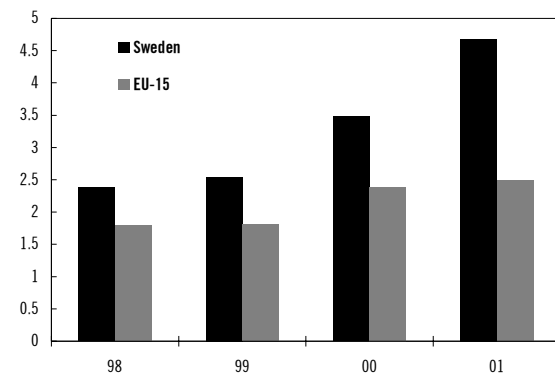
The National Agency for Education (Skolverket) provides an Internet based information system, SIRIS, with information on schools' results and quality. SIRIS also has information describing quality improvements in municipalities and schools, statistics on schools' results and organisation, together with various analyses and evaluations. The information is at the national, municipal and school level, which makes it simple to compare schools' results on the school leaving certificate.⁵⁴

Public procurement

Between 2000 and 2001, the market for public procurement in Sweden increased from 3.5 per cent of GDP to 4.7 per cent. The EU average was 2.5 per cent of GDP.⁵⁵

Figure 5. Public procurement

Per cent of GDP



Source: Eurostat 2003, Structural Indicators.

The change implemented in 2002 with the aim of adjusting the law on public procurement in response to the European Court of Justice's decision in the Alcatel case has led to a marked increase in the number of appeals to the court requesting a review of a procurement case.⁵⁶ In

2002 the number of appeals was double that of 2001.⁵⁷

In the Government Offices a proposal for a special sanction – a fine for market damages – is being prepared. The fine is intended for those cases in which a procuring entity, unsupported by law, directly awards a contract to a supplier without any prior announcement of the procurement. A Government Bill is expected to be submitted to the Riksdag in spring 2004.

3 Public utilities and other network industries

Sweden was one of the first Member States in the EU to open its energy, telecommunications and transport markets to competition. The reforms implemented in these network industries in the 1990s have, on the whole, generated positive economic effects, such as lower prices and greater freedom of choice for consumers. Other EU countries have gradually exposed their network industries to competition. This work is crucial to creating competition on equal terms in the internal market and improving the way in which the economy functions. The reform of network industries in the EU is judged to have had a positive impact on employment and growth.⁵⁸

The Government continues to monitor the reforms implemented in the network industries and strengthen the regulatory regime in light of experience thus far. Here the consumers' perspective is of great importance. One of the interim objectives in the consumer policy programme approved by the Riksdag in December 2001 is to provide the consumer with better opportunities to act in markets newly opened to competition.

The Swedish Consumer Agency as part of its mandate will cooperate with the Competition Authority and carry out systematic studies of the consequences associated with the markets recently exposed to competition and the possible impact on consumers in the future. In 2002 the energy market was studied and in

⁵³ www.kommundatabas.nu.

⁵⁴ http://sir.is.skolverket.se/pls/portal30/PORTAL30.siris_frame.siris,2003-08-25.

⁵⁵ Eurostat 2003, "Structural indicators".

⁵⁶ The amendment means that procurement may be subject to review by a court for a period of at least 10 days after all those who have submitted tenders have been notified of the decision to award the contract. Government Bill. 2001/02:142, "Ändringar i lagen om offentlig upphandling, m.m." (Amendments to the Public Procurement Act, etc.).

⁵⁷ Årsredovisning 2002 för Nämnden för offentlig upphandling (Annual Report for the National Board for Public Procurement).

⁵⁸ European Economic Review nr.2, 2002.

2003 priority was given to the telecommunications market.

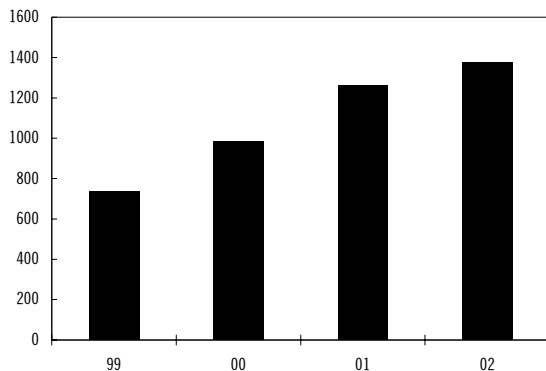
3.1 Telecommunications

Two circumstances have affected the Swedish telecommunications market more than others in 2002. The first is the preselection reform completed in February 2002 by covering local telephone services. This change has now levelled the terms under which operators conduct business and has enhanced competition in the national telephony service. The other is the continued rapid growth in the market for Internet access, with higher transmission capacity⁵⁹, even if at a calmer pace than in previous years.

The number of fixed-line subscriptions (so-called PSTN subscriptions) continues to decline. Operators other than TeliaSonera supply only a fraction of these subscriptions.⁶⁰ In late 2002, some operators began offering subscriptions for IP telephony on the broad band network. Customers are accordingly given the option of terminating their ordinary fixed-line subscription.

Figure 6. Number of preselection customers

Number of persons (thousands)



Source: PTS 2003.

In 2002 the number of preselection customers increased by 8 per cent. One third of private customers have chosen preselection operators other than TeliaSonera. The introduction of preselection for local calls has had an impact on

alternative operators' market share of national calls. TeliaSonera's market share fell by 7 percentage points between 2001 and 2002. In 2002 it came to 57 per cent.⁶¹

The total number of mobile telephony subscriptions expressed as a percentage of the population increased to 89 per cent at the end of 2002. TeliaSonera is Sweden's largest mobile operator, with a market share of 45 per cent. TeliaSonera's market share fell by three percentage points between 2001 and 2002.⁶²

At the beginning of 2003, the National Post and Telecom Agency [Post- and telestyrelsen (PTS)] renewed its oversight of the observance of the EC regulation on unbundled access to the local loop.⁶³ An initiative to map perceived problem areas has begun and PTS will use the information obtained from this initiative to focus its future supervisory activities on the most critical areas.⁶⁴

In July 2003, a new law on electronic communication came into effect.⁶⁵ The Government expects that the new regulation, which has the aim of implementing new EC laws on electronic communication networks and communication services will further contribute to positive developments in the market. The new legislation gives PTS expanded authority to intervene in markets that do not have effective competition. In such cases, the authority shall decide on appropriate obligations to be imposed on companies with significant market power, for example, with respect to controlling prices, interconnection or other forms of access.⁶⁶ Since November 2002, PTS, on instructions from the Government, has conducted market analyses that are to lay the groundwork for the transition to the new regulatory regime.

The roll-out of the third generation mobile telecommunications system, UMTS, is still underway. However, all four UMTS licence holders have, for various reasons, turned to

⁶¹ Ibid.

⁶² Ibid.

⁶³ EC regulation nr 2887/2000 of 18 December 2000 on unbundled access to the local loop.

⁶⁴ PTS 2003, "Konkurrensen i accessnätet" (Competition in the access network).

⁶⁵ Lag (2003:389) om elektronisk kommunikation (Electronic Communications Act).

⁶⁶ Government Bill. 2002/03:110, "Lag om elektronisk kommunikation, m.m." (Electronic Communications Act, etc.).

⁵⁹ Higher transmission capacity refers mainly to cable TV, ADSL or other fast access.

⁶⁰ PTS 2003, "Svensk telemarknad 2002" (The Swedish telecommunications market 2002).

PTS during the year with inquiries about their licences conditions, mainly concerning the extension of the time for deployment. One factor contributing to the delays is said to be the difficulties in getting building permits for masts in some municipalities. However, it was the opinion of PTS that that there were no reasons for giving the operators any general extension of the time for deployment. One of the operators has now informed the public authority that it will not build any network in Sweden.

3.2 Energy

Electricity

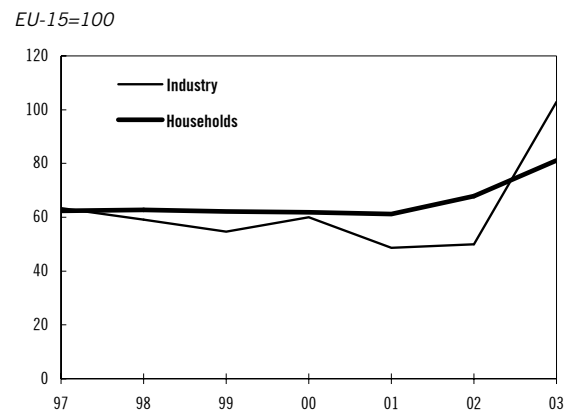
The electricity market has changed markedly since its reform in 1996. The aim of the reform was to stimulate more efficient resource utilisation and give consumers more freedom of choice.⁶⁷ The introduction of competition in electricity production and distribution was to yield efficiency gains.

Cross-border trade in electricity has increased since the 1996 deregulation, an increase that has led to more efficient use of existing resources.

The Nordic Power Exchange (Nord Pool), an organised commodities market for electricity, is an important part of the Nordic electricity market. During autumn and winter 2002/03, water levels in reservoirs were the lowest in fifty years. The result was a substantial rise in electricity prices.

⁶⁷ Government Bill. 1993/94:163, "Riktlinjer för en fortsatt kretsloppsanpassning av samhället åtgärder för att minska riskerna med kemikaliehanteringen" (Guidelines for a continued ecocycle adjustment of society. Measures to reduce the risks associated with the handling of chemicals).

Figure 7. Swedish electricity market prices compared with the EU average, 1997 - 2003



While there have been sharp swings in the price of electricity on the exchange during the year and from year to year, consumer prices have been more stable. The increased competition has forced electricity suppliers to adjust their prices. The result has been a steady decline in electricity prices since 1996. In 2001 this trend was broken and prices started to rise because of developments in the spot market. At the turn of the year 2002/2003, electricity prices were more than 40 per cent higher than they had been a year earlier.⁶⁸

In May 2003, a system for the sale of certificates for electricity produced from renewable energy resources was introduced.⁶⁹ This new system aims to increase the percentage of electricity produced from renewable energy resources. In 2003, 7.4 per cent of electricity consumption will come from renewable energy resources, meeting the requirements for an electricity certificate, and this percentage is to rise gradually to 16.9 per cent in 2010.⁷⁰

A good power balance⁷¹ is one of the mainstays of reliable access to electricity. In the long term, actors in the market must resolve the issue of maintaining the power balance. In the meantime, a new law came into effect in July 2003.⁷² This law makes the Swedish

⁶⁸ In Sweden the price of electricity charged consumers is about equally divided between production and trade; networks and taxes.

⁶⁹ Lag (2003:113) om elcertifikat (Law on electricity certificates).

⁷⁰ Government Bill. 2002/03:40, "Elcertifikat för att främja förnybara energikällor" (Electricity certificate to promote renewable energy resources).

⁷¹ The balance between available installed production and transmission capacity at any one time and the total outtake from the system.

⁷² Lag (2003:436) om effektreserv (Power balance law).

electricity grid company (Svenska kraftnät) responsible for keeping a power reserve available in the Swedish electricity system. The Swedish electricity grid company will provide this reserve through agreements reached with electricity producers on increasing production and with major electricity customers on reduced consumption. The law is in force until the end of February 2008 when a market solution for maintaining the power balance is to have been developed.

Active consumers are a prerequisite of a well-functioning electricity market. In Sweden about 45 per cent of end users have changed electricity suppliers or have renegotiated the price of electricity with their existing supplier. This is an increase of 10 percentage points over last year.⁷³ As a way to increase mobility in the electricity market and improve its functioning, the Riksdag decided in June 2003 to introduce monthly reading of electricity meters beginning in July 2009. As a help to consumers in the electricity market, the Swedish Consumers Electricity Advice Bureau (Konsumenternas elrådgivningsbyrå) was started in May 2002.⁷⁴ The Bureau provides guidance to consumers on matters concerning the electricity market and offers free information and advice.

In June 2003, new revised directives on electricity and natural gas markets in the EU and a regulation on cross-border trade in electricity were adopted.⁷⁵ For this reason, the Government has appointed a commission with the aim of proposing how the directive can be incorporated into Swedish legislation. Its findings are to be reported in 2003. The commission has also been instructed to analyse certain questions affecting the electricity market and its functioning. This part is to be reported in September 2004.⁷⁶

⁷³ TEMO survey commissioned by Swedenergy (Svensk Energi), DN 14-10-2003.

⁷⁴ The Swedish Consumers Electricity Advice Bureau is an independent information agency. It reports to the Swedish Consumer Agency (Konsumentverket), the Swedish Energy Agency (Statens energimyndighet) and Swedenergy. See also www.elradgivningsbyran.se.

⁷⁵ Electricity: Dir. 2003/54/EC, OJ L 176, 15.7; Gas: Dir. 2003/55/EC, OJ L 176, 15.7, Regulation: No 1228/2003, OJ L 176, 15.7.

⁷⁶ El- och gasmarknadsutredningen ("Commission on the electricity and gas markets"). N2003:04. N2003:04; Dir. 2002/03:22 "Fortsatt utveckling av el- och naturgasmarknaderna" (Continued development of the electricity and natural gas markets).

Natural gas

Natural gas accounts for two per cent of Swedish energy consumption. The natural gas network covers some thirty municipalities in western Sweden, where natural gas accounts for about 20 per cent of energy consumption, which is about the same as the EU average. In August 2000, the first step in opening the natural gas market to competition was taken in the form of a new natural gas law, which incorporated the EC directive on an internal market for natural gas.⁷⁷ The law allows natural gas companies, energy producers and larger consumers freedom of choice in selecting a natural gas supplier. Expressed in terms of volume, about half of the market is estimated to be open to competition.

In February 2003, the Government appointed a commission to analyse precisely what legislative measures are needed to implement the revised EC directives on the internal market for electricity and natural gas.⁷⁸

3.3 Transport

The Government is working to make the transport system more competitive, but to have this competition evolve in a controlled manner within a particular mode of transport or between different modes. Today only passenger traffic on railways is not fully deregulated.

Air Traffic

The market for Swedish domestic air travel, like the global market, is still turbulent. However, in 2003, the choice of airlines operating domestically has been more stable than it was in the previous year. SAS, together with Skyways, in which it has part ownership, still has a market share of almost three quarters of Swedish domestic air travel.

The central government, through the National Public Transport Agency (Rikstrafiken), has conducted a public procurement with respect to the traffic on eleven domestic routes, primarily to and from inland airports in

⁷⁷ SFS 2000:599, "Naturgaslag (2000:599)" (Natural gas law).

⁷⁸ Swedish Competition Authority report 2003, "Smakar det så kostar det" (You can't get something for nothing).

northern Sweden. Three different airlines carry this traffic.

In April 2003, the Competition Authority reported the conclusions of a commission instructed by the Government to study the impact on competition and on consumers of limiting airline companies' use of bonus programmes in the Swedish domestic market. For reasons of competition, the Competition Authority advised the Government not to take far-reaching measures such as special legislation.⁷⁹ The commission's conclusions will be circulated for comment in autumn 2003.

International air travel has declined considerably in recent years. Low-cost airlines' market share was twice that of the previous year. In 2002 it amounted to about 18 per cent.⁸⁰ This development is thought to have had a positive impact on prices.

In spring 2003 work began on a regulation to counter unfair price competition from third country airline companies that receive state aid. Work on the regulation on takeoff and landing slots is expected to resume in autumn 2003.

For competition to function satisfactorily, it is important for consumers to be able to compare prices and terms easily. There are some signs pointing to problems in this area, for example, taxes or fees are not always clearly stated. The emergence of travel portals,⁸¹ operated by travel agencies and travel industry organisations, which make comparison of various alternatives possible, is therefore a positive development.

Railway traffic

Freight transport on railways is deregulated for railway companies registered in Sweden. The state-owned Green Cargo [previously the State Railways' Freight Division (SJ Gods)] continues to have a market dominant position.

Competition for passenger traffic has gradually increased. Today SJ's share of all passenger traffic comes to about 50 per cent. The increased competition in conjunction with public procurements, has led to lower costs for society and consumers. For example, as a result of the two most recent procurements, the cost

of travelling at night to and from the northernmost part of Sweden has been almost halved, with a largely unchanged selection of services.⁸²

SJ continues to have sole right to commercially profitable interregional passenger traffic. Passenger traffic deemed unprofitable, but still warranted from a transport policy perspective, has been subject to competitive public procurement for a number of years. Following public procurement procedures conducted by the central government, via the National Public Transport Agency, three different operators will carry railway passenger traffic for the next few years.

In 2001 the Government appointed a commission to propose how new rules ensuing from international agreements could be transposed into Swedish law. The process of transposing the new rules is now underway. In addition, the commission has also been instructed to analyse possible measures to improve competition. One issue that the commission intends to address is SJ's preference for profitable interregional passenger service. The commission is to submit its final report to the Government no later than November 2003.

3.4 Postal Services

Postal operations in Sweden have been governed by the Postal Services Act since 1994.⁸³ This law states that there is to be a good quality postal service at reasonable prices throughout the country.

Both the number of operators and the volume of items mailed have decreased somewhat in 2002 from the previous year. At the turn of the year 2002/03, there were 35 postal operators. There is one company that provides nationwide postal service, Posten AB. Its market share came to more than 94 per cent of the total letter delivery market in Sweden.

In the EU a gradual evolution towards a common internal market for postal services is taking place. As the postal market in Sweden has been deregulated for almost ten years, the

⁷⁹ Since February 2001, SAS has been enjoined not to apply its bonus programme in its entirety to Swedish domestic air traffic.

⁸⁰ Luftfartsverket's internal reporting, July 2003.

⁸¹ See, for example, www.svenska.flygtorget.se.

⁸² The cost has declined from SEK 150 million to SEK 80 million.

⁸³ Postal Services Act (1993:1684).

Government has appointed a special investigator to conduct a cost-benefit analysis to see if the aim of the liberalisation has been achieved.⁸⁴ In addition this special investigator will, if need be, propose changes to the regulatory regime, to the organisation of the service in the public authorities, and to policy goals.

4 The knowledge-based economy

Innovation and technical upgrading form an important basis for growth. Thus investment in research and education is all the more important for a growth-oriented policy.

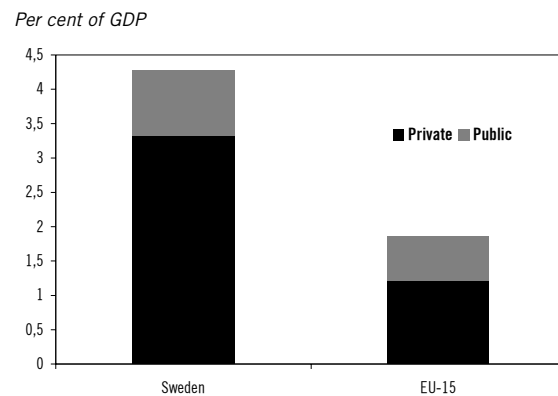
4.1 R & D and innovations

In the past 20 years, Sweden's investment in R&D in relation to GDP has been among the highest in the world. In the past ten years, Sweden's investments have increased by slightly more than 50 per cent and came to 4.3 per cent of GDP in 2001. Increased investment by the business sector explains all of this growth. The business sector accounts for 80 per cent of Sweden's total investment in R&D.

Even though the climate for innovation is good from a general perspective, it is the Government's intention that Sweden should become even better at taking advantage of research findings, transforming them into practical applications and improving the business climate for new and fast growing and research intensive companies. As part of this effort, a number of research institutes with a focus on industry have been established to conduct public research and development programmes in cooperation with the business community. Holding companies associated with certain universities also play an important role in the commercialisation of research findings.

⁸⁴ Dir. 2003:117, "Ny reglering av postverksamhet och behov av statliga insatser för den grundläggande kassaservicen" (New regulation of postal activities and the need for state support for the basic Cashier Service).

Figure 8. Public and private sector R&D expenditure in Sweden and the EU



Note: EU-15 figures are for 2000, Swedish figures are for 2001.
Source: OECD 2003.

The Swedish Agency for Innovation Systems (VINNOVA) is a public authority with a mandate for innovation issues and for the facilitation of the commercialisation of research results. At the Government's request, VINNOVA has submitted a report on the possibilities of further strengthening the commercialisation of research results. One of its tasks was to study the design of incentives for commercialisation and measures to enable intellectual property laws to better protect research findings. The Agency has also studied support structures such as technology bridge foundations, holding companies and technology parks in and around universities and other institutes of higher education. The report is currently being circulated for comments and the information collected will form the basis for the next research policy bill planned for 2004.

Research is very important to the majority of technology-based industries. Beginning in 2004, therefore, it is proposed that VINNOVA put SEK 100 million into strengthening applied industrial research in information technology and telecommunications.⁸⁵

Medical research is important for improving public health, but it also provides good opportunities for the drug industry and other industries based on advances in medicine. Medical research will be strengthened beginning in 2004, with an allocation of SEK 25 million in additional resources to the Swedish Research Council (Vetenskapsrådet).

⁸⁵ Government Bill. 2003/04:1, "Budget Bill for 2004".

4.2 The information society

Sweden is a world leader in the use of information technology (IT). In 2002, three quarters of Sweden's population used computers at home, at work and in the school.⁸⁶ Women and men use computers to approximately the same extent. Sweden ranks third in sales, delivery and payment over the Internet.

Weaker market growth throughout the entire information, communications and technology sector has affected the expansion of the information technology infrastructure. To support municipalities' broad band expansion, the Budget Bill for 2004 contains a proposal that part of the funds previously reserved for reducing taxes for high connection costs instead may be used for investment in the IT infrastructure.⁸⁷ This will lead to an additional SEK 250 million investment in broadband next year.

In March 2003, the National Agency for School Improvement (Myndigheten för skolutveckling) was established. It has national responsibility for developing the use of information technology in schools.

To accelerate the expansion of e-commerce in general, the Government has instructed the Swedish Agency for Public Management (Statskontoret) to work to increase use of e-commerce in public procurement. The work will be done between 2003 and 2006. The Agency will report annually on its work.

In addition a committee has been appointed to expand the public authorities' service, the so-called 24-hour government, and public sector e-services. The committee is comprised of representatives of the central government, municipalities, county councils, the research community and business and industry. The committee will direct the development of the 24-hour government, which will be accessible to everyone everywhere, day and night.

The Government intends to intensify still more its efforts to increase accessibility to the information society's technology and services. A new strategy group has been given the task of promoting the information society's continued development in Sweden.

⁸⁶ IDC 2003, "Information Society Index 2003".

⁸⁷ Government Bill. 2003/04:1, "Budget Bill for 2004".

4.3 Supply of personnel with a higher education

A major effort has been put into higher education in Sweden. Between 1997 and 2003, resources equivalent to about 100 000 new places have been provided.⁸⁸ The Government's long-term goal is that half of one secondary school graduating class will have begun university or other post-secondary studies by the age of twenty-five. In 2002 the proportion enrolled in such studies stood at about 45 per cent.⁸⁹

Between 1990 and 2001, the number of degrees awarded in technical subjects has more than doubled. The percentage of women with a technical degree has increased from less than 20 per cent to 26 per cent in the same period. However, in recent years it has been difficult to find enough students to fill the available education places in science and technology. In January 2003, the Government appointed a mathematics committee to change attitudes to mathematics and increase interest in it.⁹⁰

Postgraduate studies are a strategic part of developing the knowledge-based society. The demand for persons with a graduate education is increasing both at higher education institutes and in society in general. An increase in the number of persons with a postgraduate education encourages the dissemination of knowledge and research results throughout society. In the 1990s, the annual number of graduate degrees (licentiates and doctorates) awarded in Sweden doubled to 3 000. It is the Government's ambition to double the number of postgraduate degrees again during the next ten years. From 2000–2005 the central government appropriation for research and graduate education is increasing by SEK 1.5 billion. In addition a commission has been instructed to look into how efficiency and flow-through in graduate education can be improved.

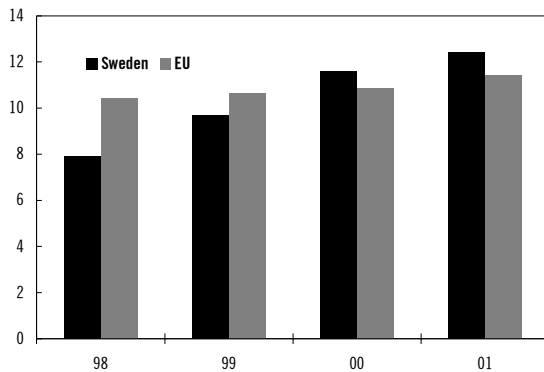
⁸⁸ Government Bill. 2002/03:100, "2003 Spring Budget Bill". The number of students registered for undergraduate studies has increased from 222 000 to 330 000 between the academic years 1991/92 and 2000/01.

⁸⁹ Government Bill. 2003/04:1, "Budget Bill for 2004".

⁹⁰ www.matematikdelegationen.gov.se

Figure 9. The number of persons aged 20–29 finishing a post-secondary education in science/technology

Per thousand inhabitants aged 20–29



Source: Eurostat 2003, Structural Indicators.

One big challenge is the integration into the Swedish labour market of immigrants with a university education so that they obtain work commensurate with their qualifications. From 2002–2004 SEK 10 million annually will be spent on a special theoretical and practical training for immigrants with a foreign university education. In addition from 2001–2003, between SEK 70 and 100 million annually is being earmarked for supplementary labour market training in occupations experiencing a shortage of skilled labour for unemployed persons with a university education obtained abroad.

5 Integration of environmental issues

Since the late 1980s, the use of market-based instruments in environmental policy has increased markedly in Sweden. Market-based instruments are an important element of the work to achieve national environmental policy objectives and the goals specified in the strategy for sustainable development agreed by EU Member States in June 2001, which add an environmental dimension to the Lisbon strategy.

5.1 Goals and strategies

In spring 1999, the Riksdag adopted 15 national environmental quality objectives with the overall objective of handing over to

the next generation a society in which the main environmental problems have been solved.⁹¹ To help achieve the environmental quality objectives and make them more concrete, the Riksdag has also approved 69 measurable interim targets and three action strategies.⁹²

An Environmental Objectives Council (Miljömålsrådet), responsible for following up the environmental objectives has been established. According to the Council's second report, conditions are favourable for achieving several of the interim targets, but in the majority of cases further measures are required and some of the interim targets will probably be difficult to achieve.⁹³ In many instances, international cooperation is crucially important to achieve the objective.

5.2 Measures and market-based instruments

Market-based instruments constitute an important part of the three action strategies to achieve the environmental quality objectives. Environmental taxes in particular have an important role, but charges, deposit and return systems, and green electricity certificates are also in use.

The main aim of an environmental tax is to steer the resource utilisation in the desired direction. The tax should therefore be connected to the actual environmental problem as closely as possible. This definition means that the carbon dioxide and sulphur taxes are considered to be environmental taxes whereas the energy tax on fuel and electricity are not environmental taxes, but rather taxes with some environmental impact.

In 2002 environmentally related taxes came to SEK 67.9 billion, or 5.8 per cent of total tax revenue. By far the largest part of revenue from

⁹¹ Government Bill. 1997/98:145, "Svenska miljömål – miljöpolitik för ett hållbart Sverige" (Swedish Environmental Objectives – Environmental Policy for a Sustainable Sweden).

⁹² Government Bill. 2000/01:65, "Kemikaliestrategi för Giftfri miljö" (A chemicals policy for a non-toxic environment), Government Bill. 2000/01:130, "Svenska miljömål – delmål och åtgärdsstrategier" (Swedish environmental objectives – interim targets and action strategies) and Government Bill. 2001/02:55, "Sveriges klimatstrategi" (The Swedish climate strategy).

⁹³ Environmental Objectives Council (Miljömålsrådet) 2003, "Sweden's environmental objectives – will the interim targets be achieved? de Facto 2003".

environmentally related taxes comes from the energy and carbon dioxide taxes.

Table 2. Revenue from environmentally related taxes and energy and vehicle taxes

SEK billions in current prices

	2000	2001	2002
Energy tax	38.3	36.4	37.2
- Energy tax petrol	19.3	17.4	17.2
- Energy tax electric power	11.3	12.6	14.0
- Energy tax other	7.7	6.4	6.0
Carbon dioxide tax	12.0	17.0	19.9
- Carbon dioxide tax petrol	4.6	6.6	7.9
- Carbon dioxide tax, other	7.4	10.4	12.0
Sulphur tax	0.1	0.1	0.2
Special tax on electric power	1.7	1.9	1.8
Motor vehicle tax	7.0	7.0	7.5
Tax on natural gravel	0.1	0.1	0.1
Tax on fertiliser and pesticides	0.4	0.4	0.4
Tax on waste	1.1	0.9	0.9
Total	60.7	63.9	67.9

Source: Ministry of Finance

The carbon dioxide tax was introduced in 1991 with the primary objective of reducing carbon dioxide emissions and thus helping meet the climate objective. The tax is levied on all fossil fuels and the tax level is determined in relation to the carbon content of each fuel.⁹⁴ To encourage the use of fuels that are better for the environment, the energy tax differs, depending on the type of fuel.

With the aim of reforming the energy tax system, the Government has decided on a green tax strategy. An important part of this strategy is a green, income-neutral tax reform, in which higher taxes linked to negative environmental impact are offset by lower taxes on labour. In addition the total tax levy from the energy and carbon dioxide taxes will be redistributed, with increased weight given the carbon dioxide tax, with the aim of increasing environmental control. The tax reform is estimated to total SEK 30 billion between 2001 and 2010.⁹⁵ Owing to proposals in the Budget Bills for 2001, 2002 and 2003, a tax switch totalling slightly more than SEK 8 billion has been carried out. In the 2004 Budget Bill, the

Government is proposing to continue the tax switch in 2004, with a total of SEK 2 billion.

Other key elements of the green tax strategy are a review of other environmentally related taxes and an analysis of alternative economic instruments.

As the design of the energy tax system is vital to the continuance of green tax reform, it is important to make a careful examination of the impact that changes to tax rules have on the environment, households and business competitiveness. In April 2003, a committee with the task of reviewing the rules on tax reductions for business presented a report proposing a new energy tax structure.⁹⁶ The Budget Bill for 2004 calls for reform of the Swedish energy tax system to continue rapidly. The goal is for a new regulatory regime to come into effect in January 2005. This system will provide improved environmental management in the business sector.

The zero rate of tax on electricity used in industry is being abolished. Instead the tax rate of SEK 0.005/kWh, corresponding to the minimum level in the new energy tax directive, is being introduced at the beginning of July, 2004.

In recent years, several new taxes have come into existence, while others have disappeared. Examples of newer taxes are the tax on natural gravel introduced in 1996 and the waste tax introduced in 2000. In January 2003, the natural gravel tax was raised from 5 to 10 kronor per ton of natural gravel with the aim of achieving the goal of a maximum annual excavation of 12 million tons of natural gravel by 2010.

In its final report, the Waste Tax Commission proposed that the rules for deducting waste intended for closure should be changed.⁹⁷ These rules were changed in January 2003 to allow a deduction for certain specified materials intended for closure. In a Government Bill, the Government established the frames for how subsequent work on a tax on waste to be burnt should proceed.⁹⁸ A commission has been appointed that is to

⁹⁶ SOU 2003:38, "Svåra skatter!" ("Complicated taxes!").

⁹⁷ SOU 2002:9, "Skatt på avfall i dag – och i framtiden" (Taxation of waste today – and in the future).

⁹⁸ Government Bill. 2002/03:117, "Ett samhälle med giftfria och resurssnåla kretslopp" (A society with non-toxic and resource-efficient ecocycles).

⁹⁴ Certain fuels are still tax exempt.

⁹⁵ Government Bill. 2000/01:1, "Budget Bill for 2001".

present proposals on how a tax on the burning of waste can be designed. As a basis for assessing whether such a tax should be introduced, such matters as the prohibition on the depositing of certain waste and the expansion of the capacity for treating the waste will have to be taken into account. In addition, the connection to the energy tax is also of major importance. The commission is to report on its work no later than June 2004.

The taxes on fertilisers and pesticides have been reviewed and the special investigator submitted a report in February 2003.⁹⁹ The report has been circulated for comment. The commission proposed retaining the tax on fertiliser and keeping the tax rate unchanged. It also recommended a tax levy for a pesticide tax that differentiates as to the substance's danger to the environment and health. In the Budget Bill for 2004, the Government has proposed an increase in the pesticides tax of SEK 30. In addition, the Government Offices are re-viewing other parts of the report.

Emission trading can contribute to the achievement of emission targets in a cost-effective manner. A committee with a mandate to develop a system for trading emission rights for greenhouse gases submitted an interim report in May 2003.¹⁰⁰ In this report, the committee states its view on the principles that should form the basis for Sweden's implementation of the EU-wide emission trading system to be introduced on January 1, 2005. The report has been circulated for comment and is currently being reviewed in the Government Offices. A Government Bill on guidelines for its implementation in Sweden is to be presented to the Riksdag in autumn 2003.

5.3 Environmental impact and product markets

At present there are few examples of thorough evaluations of the effects of environmental tax instruments. Generally one finds that the environmental taxes contribute to reducing emissions dangerous to the environment and

affect the use of resources, but that there has been relatively little impact on the environment thus far. However, the taxes probably have a greater impact on emissions and use of resources in the long term when possibilities of substitution are greater. Moreover, environmental improvements often do not appear until some time after the emissions have been reduced.

In Sweden's third national report on climate change, it was estimated that the emission of greenhouse gases will be 15 to 20 per cent lower by 2010 with the instruments in use in 2001 than they would have been if the system in effect in 1990 had been retained.¹⁰¹

In some sectors, the impact of environmental taxes has been obvious. For example, studies show that the carbon dioxide taxes have been a decisive factor in the dynamic expansion of bioenergy that took place, primarily in district heating production in the 1990s.¹⁰²

In an appendix to the central government's Long Term Survey 2003, the distributional effects that result from environmental policy measures in Sweden have been studied.¹⁰³ The results from the study show that in addition to pure efficiency aspects, allocation effects may occur that should be taken into account when environmental policy is designed. One conclusion of the study is that Sweden's carbon dioxide tax burdens households with low incomes and households in sparsely populated areas to a greater degree than it affects households with higher incomes and households in big cities. The overall conclusion drawn is the importance of estimating the consequences of each environmental policy measure.

⁹⁹ SOU 2003:9, "Skatt på handelsgödsel och bekämpningsmedel?" (Taxation of fertiliser and pesticides?).

¹⁰⁰ SOU 2003:60, "Handla för bättre klimat" (Shopping for a better climate).

¹⁰¹ Ds 2001:71, "Sweden's third national communication on climate change".

¹⁰² Johansson, B and others. 2002, "The Use of Biomass for Energy in Sweden – Critical Factors and Lessons Learned".

¹⁰³ SOU 2003:2, "Fördelningseffekter av miljöpolitik" (Distributional effects on environmental policy).

II.C CAPITAL MARKETS

Efficient and well-integrated financial markets are generally an important prerequisite for growth, not least for the creation of new companies and the growth of existing firms. In the EU, institutions and Member States are now working diligently to integrate financial markets by implementing action plans for financial services and for risk capital. Sweden is working for a rapid implementation of these action plans.

Providing smaller companies with favourable conditions so that they may more easily get access to risk capital to develop their ideas and modernising the regulatory regime for financial companies are both important priorities for the Government.

1 The regulatory regime for the financial sector

1.1 Legislative developments

The financial sector is responsible for important functions such as payments service, extending loan and risk capital to companies and households, and managing financial risks.

The Government has presented a far-reaching proposal for modernising the rules governing banking and financing businesses.¹⁰⁴ The goal is to continue the deregulation and create a stable financial system that is competitive and highly efficient. To increase the choices offered consumers, the Government has proposed ending the banks' monopoly on deposit-taking beginning July 2004. Credit market companies and non-financial companies will thus have the opportunity to take deposits from the general public.

To achieve competition neutrality with other European countries, the Government has presented a Government Bill on covered bonds.¹⁰⁵ Its primary concern is Swedish mortgage institutions, which under the new law

are being given the opportunity to borrow on particularly favourable terms.

The rules on capital adequacy in the banking sector are being revised with the aim of better adapting them to risk and making them more effective. Banks will be able to use more advanced risk measurement systems. The responsibilities of the Swedish Financial Supervisory Authority (Finansinspektionen) will be broadened because of the requirement for an individual valuation of the risks and capital of entire groups of companies that include banks. The new rules are expected to come into effect in 2006 at the earliest.

The supplementary supervision of companies that are part of financial conglomerates will be expanded. Sweden expects to implement the EC directive in this area in August 2004.

With respect to insurance, the position of those insured by traditional life insurance companies will be strengthened. The regulatory regime will be adapted to meet new requirements and the Government intends to appoint a special investigator to conduct a general review. Work on overhauling the solvency rules is underway in the EU. The Commission on Investment Rules for Insurance Companies (Utredningen om försäkringsbolagens placeringsregler) submitted its final report in September 2003.¹⁰⁶ The Government intends to continue the work on reforms in line with the work being done in the EU.

As to securities, the regulatory work is concentrated on creating a common securities market in the EU. The Government has recently submitted a Government Bill proposing a new regulatory regime for fund savings.¹⁰⁷ The proposal is based on EC law, the UCITS directive. The Government has also appointed a special investigator to review issues related to insider trading legislation.¹⁰⁸ The background for this is a new EC directive on insider trading and market manipulation approved in December 2002.

¹⁰⁴ Government Bill. 2002/03:139, "Reformerade regler för bank- och finansieringsrörelse" (Revised rules for banks and financing companies).

¹⁰⁵ Government Bill. 2002/03:107, "Säkerställda obligationer" (Covered bonds).

¹⁰⁶ SOU 2003:84, "Förslag till ett moderniserat solvenssystem för försäkringsbolag" (Proposal for modernising solvency systems for insurance companies).

¹⁰⁷ Government Bill. 2002/03:150, "En ny lag om investeringsfonder" (A new law on investment funds).

¹⁰⁸ Dir 2003:91, "Insider trading and market manipulation".

In July 2002 the European Parliament and the Council issued a regulation on the application of international accounting standards. Its aim is to create a cost-effective and better functioning capital market. To this end, the Government set up a commission, which presented a report in July 2003.¹⁰⁹ According to the report, it should be possible for listed and unlisted companies to establish accounting systems in accordance with international accounting standards. The report is being circulated for comments in autumn 2003.

1.2 Supervision of financial companies and markets

The Government, in a written communication to the Riksdag, has presented an action plan on work with the financial sector.¹¹⁰ Included in this plan is the change underway respecting the supervision of financial companies and markets.

The traditional aim of financial market supervision has been to check that established rules are observed and to analyse historical data. However, supervision is changing. It will be subject to new requirements for actively developing and adjusting the regulatory regime, analysing companies' risk exposure and risk management, and being more proactive in various respects.

The Swedish Financial Supervisory Authority has a key role in assessing the risks that affect the entire financial system. The Authority has therefore, among other things, developed a model for supervision that makes possible an annual total risk assessment. The model also makes an international comparison possible. In addition, it represents another step towards the introduction of new capital adequacy rules.

¹⁰⁹ SOU 2003:71, "Internationell redovisning i svenska företag" (International accounting in Swedish companies).

¹¹⁰ Skr. 2002/03:141, "Staten och den finansiella sektorn" (The central government and the financial sector).

2 Market developments

Prices quoted on Stockholmsbörsen (the Stockholm Stock Exchange) recovered during the second quarter of 2003. The Exchange's general index rose a total of 7 per cent during the first half of the year. The increase was due in part to a sharp upturn in the shares of Ericsson, the telecommunications company, since the beginning of the year. Foreign ownership on Stockholmsbörsen came to a little over 30 per cent, a slight decline from 2002.

In 2003 OM, which operates Stockholmsbörsen, and HEX, which operates the Helsinki exchange and APK, the Finnish central clearing organisation, merged. This merger created an integrated Nordic and Baltic market (OMHEX) for listing, trading, clearing, settlement and deposit of securities. As a result of the merger, the Helsinki exchange also became part of Norex, the common Nordic securities market.¹¹¹

Nordic Growth Market (NGM), a previously authorised marketplace, was approved as an exchange in April 2003. Consequently, there are now, for the first time, two authorised exchanges in Sweden.

2.1 Structural change in the banking and insurance sectors

In May 2003, the Financial Supervisory Authority decided to grant EFG Fondkommission (under its change of name to EFG Investment Bank) permission to begin banking operations.¹¹² The company's owner is EFG Private Bank S.A., with headquarters in Switzerland.

In June 2003, the Financial Supervisory Authority revoked Coop Bank's permission to conduct banking activities.¹¹³ Its business had not developed as planned and the owners were in disagreement on the bank's future.

¹¹¹ Norex is a strategic alliance with common stock exchange rules and a common trading platform in the form of the electronic trading system SAXESS. The alliance comprises the Copenhagen Stock Exchange, Iceland Stock Exchange, Stockholmsbörsen and the Oslo Børs (see www.nordic-exchanges.com).

¹¹² The Financial Supervisory Authority, Decision 2003-05-27.

¹¹³ The Financial Supervisory Authority, Decision 2003-06-18.

There are no signs that competition in the banking market has weakened owing to reduced competition from niche banks. The margin between the average interest rate on household borrowing and the banks' financing cost has narrowed a little in the past year.

In 2002 the number of Internet customers of Swedish banks grew by 13 per cent to 4.4 million agreements.¹¹⁴ Small and medium-sized companies are increasingly using Internet banking services.

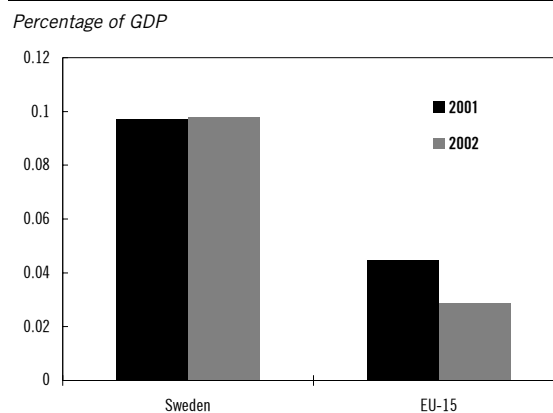
2.2 Access to risk capital

Activity in the market for risk capital has slackened. In 2002 SEK 17.4 billion was raised for upcoming investment in unlisted companies. Of this amount, SEK 5.4 billion was designated for companies' in their early growth phase and SEK 12 billion for mature companies.¹¹⁵ During the year, SEK 9.6 billion was invested in private equity, with SEK 3.1 billion earmarked for early growth phases and SEK 6.5 billion for mature companies.¹¹⁶ This is a total reduction of SEK 12.4 billion from the previous year, including a reduction of SEK 2 billion for early growth phases.¹¹⁷ In comparison to the average for EU countries, risk capital investment as a percentage of GDP is still high.

The number of active players in the private equity market is expected to have declined somewhat. The number of members in the Swedish Private Equity & Venture Capital Association [Svenska Riskkapitalföreningen (SVCA)] fell by more than 10 per cent between 2001 and 2003. SVCA estimated private equity companies' committed capital at over SEK 200 billion, of which almost half is intended for the early growth phase and the rest for mature companies. Invested capital

amounts to over SEK 117 billion, of which SEK 51 billion is invested in the early growth phase.¹¹⁸

Figure 10. Risk capital investment (seed capital) in Sweden and the EU



Source: Eurostat 2003, Structural Indicators.

The Government is reviewing several proposals aimed at facilitating the establishment of more companies and companies that are growing. The aim is to increase the supply of capital early in the development phase and to increase the percentage of research-related firms. Programmes to foster company development are also to become more effective, especially at the regional level. To bring about better coordination among central government actors, the Swedish National Board for Industrial & Technical Development (NUTEK) and ALMI have signed an agreement on cooperation with the Swedish Industrial Development Fund (Industrifonden) and Innovationscentrum.

2.3 Consumers' rights

One of the goals of consumer policy is to enable households to use their economic and other resources efficiently. It is important in this connection to monitor financial services from the consumers' perspective. The Government Bill on financial advisory services for consumers that has been presented to the Riksdag is a step in improving consumer protection.¹¹⁹ The proposed legislation would make advisors

¹¹⁴ The Swedish Bankers' Association (Svenska Bankföreningen), press release, May 20, 2003.

¹¹⁵ NUTEK 2003:8 "Riskkapitalbolagens aktiviteter första kvartalet 2003". (Activities of risk capital companies during the first quarter of 2003). The growth phase is usually divided into three stages: seed, start and expansion, while the mature phase is divided into replacement investment and takeovers.

¹¹⁶ Swedish Private Equity & Venture Capital Association (Svenska Riskkapitalföreningen). (See www.vencap.se.)

¹¹⁷ NUTEK 2002:2, Riskkapitalbolagens aktiviteter fjärde kvartalet 2001 (Activities of risk capital companies during the fourth quarter of 2001).

¹¹⁸ Swedish Private Equity & Venture Capital Association.

¹¹⁹ Government Bill. 2002/03:133, "Lag om finansiell rådgivning till konsumenter" (Law on financial advice to consumers).

who act negligently liable for damages and require them to document their business and to have appropriate qualifications. The Riksdag is to consider the bill in autumn 2003. It is proposed that it take effect July 2004.

The Consumer Ombudsman has experimented with representing consumers against business interests in the general courts in cases concerning financial services. Now these experiments are to be evaluated. The conclusions are to be reported in early 2004.

The Swedish Consumer Agency has been instructed to examine in detail the reasons for the rise in so-called debt traps among households and propose measures to limit the problem of overindebtedness. This task is part of the effort to achieve one of consumer policy's five general goals, the goal of economising. A subobjective of this goal is to strengthen the position of consumers in the financial markets.¹²⁰ The report, which the Consumer Agency recently presented, is being analysed in the Government Offices. Measures will then be taken to strengthen consumers' means of preventing overindebtedness and overcoming it when it already exists. In autumn 2003, work is to begin on preparing a new consumer policy action plan.

¹²⁰ Government Bill. 2000/01:135, "Handlingsplan för konsumentpolitiken 2001–2005" (Action plan for consumer policy, 2001–2005).