

23 January 2012: Meteorological services for businesses

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The Autorité de la concurrence makes commitments by Météo-France regarding a clear separation between its business activities and its public service remit binding

Météo-France commits in particular to upgrade and audit its cost accounting

> Version française



Following a complaint by **Météo Consult** in respect of practices engaged in by **Météo-France**, which according to the claimant are tantamount to predatory pricing, the Autorité de la concurrence has today issued a decision whereby it accepts and renders mandatory the commitments proposed by Météo-France, more particularly regarding a clear separation in its books of account between its business activities and its public service remit, as well as an audit and certification of a cost accounting system.

Météo Consult's complaint

Météo-France is a publicly-owned administrative institution with a public service remit (meteorological safety of people and property, meteorological observations, forecasts, keeping climate records, etc.) that since the 1980s has diversified by developing business activities in parallel, which now represent approximately 40 million euros' turnover.

Météo Consult¹, the claimant company, offers meteorology services to the general public (by telephone and on the Internet) and to businesses. Its complaint is in connection with this latter market. It believes it has been ousted from a series of invitations to tender as a result of artificially low prices offered to businesses by Météo-France. It accuses Météo-France of having used charges and subsidies allocated to its public service remit to fund its competitive activities ("cross-subsidies") in order to exclude it from the market.

The competition concerns: a risk of predatory pricing

In its preliminary assessment issued in September 2011, the Autorité took the view that, notwithstanding Météo-France's positive mark-up, a risk of cross-subsidies between its public service activities (under monopoly) and its business activities (in competition) could not be ruled out, given its lack of a detailed analytical accounting system for its costs and income. These cross-subsidies could lead to the practice of predatory pricing, which consists in selling services at a lower price than their full cost with a view to driving out competitors from the market.

The commitments proposed by Météo-France, which the Autorité has rendered mandatory, aim to guarantee fair competition on the meteorological services market

In order to address the competition concerns voiced by the Autorité, on 28 September 2011 Météo-France submitted proposed commitments², followed by revised versions thereof, further to a market test and a discussion before the Board of the Autorité.

In the decision it has issued today, the Autorité renders mandatory the following commitments taken by Météo-France, in order to meet the competition concerns. These commitments should be implemented rapidly so as to swiftly guarantee effective and fair competition between providers of meteorological services to businesses (see the detailed commitments on pages 24 to 26 of the decision).

- **Separate accounting records:** Météo-France undertakes to make changes in its cost accounting system with a view to clearly separating its public services from its business activities, by precisely identifying the costs and income (including public service subsidies) allocated to each of these two divisions. This commitment will remain in force for an unlimited period.
- **Appointment of an independent auditor,** who will be in charge of **auditing allocation bases and the cost accounting system**, for a 5-year term of office.
- **Annual disclosure of Météo-France's costs to the Autorité:** Météo-France will annually provide a summary statement of its costs and income, up to and including financial year ending December 2015.
- **Introduction of a process of internal control of procedures for drawing up "tailored" service proposals³** for professionals.

These commitments are in line with the recommendations of the Cour des comptes (French Court of Accounts), which in 2005 had already recommended the introduction of cost accounting tools (separate accounting records for each business segment), thereby heeding the recommendations of the Autorité de la concurrence pertaining to the diversification of public monopolies. Diversification in the activities of incumbent operators is not in itself prohibited and can have a beneficial impact on consumers. However, the Autorité has on many occasions stressed⁴ the need for a clear separation between monopolistic activities and those open to competition, as the minimum condition for competition to function properly.

(1) Météo Consult generates approximately 7 million euros turnover and has about forty employees. It has been part of the Figaro group since 2008.

(2) These proposed commitments were published on 28 September 2011 on the Autorité's web site, as part of a market test open to all potentially interested parties.

(3) "Tailored" services, that is, services designed-to-order for a particular customer, are different from "standard" services.

(4) See inter alia opinions 94-A-15, concerning problems raised by the diversification of the activities of EDF and GDF with regard to the competition, and 95-A-18, concerning the problems raised by SNCF's parcel service activities with regard to

the competition.

> Full text of decision 12-D-04 of 23 January 2012 concerning practices in the sector of business meteorological information

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